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INDO-US BUSINESS

THE NEWS MAGAZINE OF INDO-AMERICAN CHAMBER OF COMMERCE

Feb-Mar 2006



**I am committed
to an enhanced
relationship
with India**

- George Bush

Focus:
Maharashtra
Madhya Pradesh
Chhattisgarh &
Kerala

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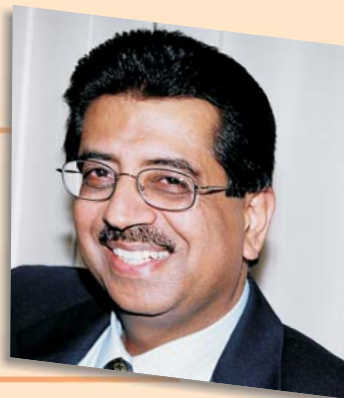
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This issue is brought to you by Global Trade Finance Limited



Dear Reader,

Greetings. We are extremely happy to bring out a special issue of Indo-US Business to mark the visit to India of President George Bush, who arrives in New Delhi on March 1, 2006. The month of March appears to bring good tidings for relations between India and the United States, the world's largest and the most powerful democracies respectively. It was in March 2000, the then US President Bill Clinton visited India, charming everybody. Many changes have taken place in the last six years, altering the global power equations permanently. India and the US have become strategic partners in progress as well as their fight against terrorism. President Bush brings with him a solid agenda of carrying forward the strategic partnership the two countries had forged during Prime Minister Manmohan Singh's visit to the US last July. We carry a detailed cover story on President Bush's visit, which raises expectations high in terms of the outcome. President Bush and Prime Minister Singh are expected to hammer out an agreement on a vast range of issues. The issue also carries a report on Indian Budget, which lays stress on agriculture and poverty alleviation. We also present an article on India's Economic Survey, which calls for further reforms. The issue showcases a special section on four states, Maharashtra, Madhya Pradesh, Chattisgarh and Kerala, focusing on the investment opportunities available there. All the four states offer incentive to foreign investors in various industrial sectors ranging from information technology to energy and infrastructure. In an interview, Maharashtra's Industry Secretary V.K. Jairath talks about how the state is emerging as a global player in attracting investment. The highlight of Madhya Pradesh is an article on the state's fiscal discipline and the rewards it has reaped, thanks to Chief Minister Shivraj Singh Chauhan. Chhattisgarh Chief Minister talks about turning his state into India's power hub. Kerala's showpiece is its tourist appeal. There is a success story of Global Trade Finance Ltd, which has posted a remarkable growth during the last few years. We carry a detailed interview with the company's MD & CEO Arvind Sonmale, who says the world markets are just ripe for Indian exports. Sanjay Kothari of the Gem and Jewellery Export Promotion Council, talks about the Indian jewellery products and how President Bush's visit will add both visibility and value to their export to the US. We have reports on Daya Solutions, a Bangalore-based software company, the recent celebrations of the Pravasi Bharatiya Divas or the convergence of Non-resident Indians and people of Indian origin at Hyderabad. Plus we have the news from the Indo-American Chamber of Commerce and other regular features.

Wish you happy reading



Satya Swaroop

Managing Editor

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My Dear Fellow Members,

The Indo- US economic and political relations are entering an exciting phase. There are many pointers like the ongoing debate on nuke, forthcoming visit of President Bush to India, groundswell of economic activities etc which have given a new direction and purpose to the relationship between the world's largest two democracies.

IACC has been in the vanguard for cementing the economic relationship between the two countries. It is gratifying to note that most of the Fortune 500 companies based in US now have their operations in the India. Many of them, of late, are engaged in enhancing and diversifying their operations. In Information Technology, India and the US continue to be the trend setters and breaking new ground in low and high end operations. The two countries are gearing up for co-operation in the field of airlines, retail trade, banking, insurance and R&D in frontier areas like nano technology, pharma, biotech etc.

Then the natural question that arises is where do we lag behind? One critical area that we have to focus more is SMEs. It is a fact that not many US small and medium enterprises have invested in India. Perhaps, this segment in both the countries have shied away from investing in each other's country because of logistics reasons. But SMEs contribute more than 40 per cent of exports of both countries and the exact figure of their imports, particularly capital equipment and machinery are not well documented. It could be a sizeable of total imports. That would mean that SMEs in both the countries are exporting to and importing from each other's country through intermediaries. That should end and there should be direct engagement and involvement.

That is one side of the story. The other and more important one is forging joint ventures between the SMEs of both the countries, an area that has by and large the exclusive realm of the big companies. Experts on SMEs on both the countries opine that there should be an enabling environment for the SMEs to come together. What should be that institutional framework? It could assume many forms. That could be assistance from both the Governments in the form of soft loans and grants to invest in each other's country, it could be more proactive support systems from chambers of commerce like IACC and yet another form of support could be regular match making exercise through a nodal agency to bring together SMEs of both the countries and so on.

IACC is gearing up itself for being a catalyst in the match making. There are many important activities that we are contemplating such as creating special wings in the chamber for business to business contacts, facilitating in bound business travels and redesigning the website to embellish its content and appeal to provide more information to the potential investors.

Let me conclude by what President Bush had said recently to a group of professionals and businessmen. Americans should learn Hindi so that they become ideal business partners. Perhaps, he must have taken a cue from what Paul Friedman in his recent book on World is Flat has alluded to. Knowledge of English has powered Indians to establish in the IT landscape in US. May be knowledge of Hindi would make Americans more aggressive investors in India. The end result is the same. If that happens, it will be a win-win situation for both India and the US.

Yours Sincerely,

B Prabhakar

National President, Indo American Chamber of Commerce



Towards Further Strengthening the Indo-US Strategic Partnership

The Great Expectations

By Dev Varam

When the world's most powerful democracy interacts with its largest counterpart, expectations are bound to be sky high. The outcome of the March 2006 Indo-US Summit between visiting President George Bush and Prime Minister Manmohan Singh will have a bearing on the long-term relations between India and the United States. The two sides will be discussing a number of issues, ranging from bilateral trade to global terrorism, science and space to Information Technology and the key issue of civilian nuclear energy. While the pros and cons of nuclear cooperation between the two countries are still being hotly debated in media, diplomatic and scientific circles, it must be noted that the issue will not sideline the other equally important matters encompassing the whole gamut of Indo-US economic relations. However, with some adjustments between both the sides, a nuclear deal will certainly be worked out, on an understanding that the differences left could be ironed out in the near future. And surely, Bush will board his Presidential Jet, Air Force no.1, waving cheerfully to Indian leaders, led by Dr. Singh, bidding him a fond farewell.

Strategic Partnership

The development of relations between any two nations depends upon the sound principle of convergence of their interests. Based on this foundation India and the United States signed a "Strategic Partnership Accord" in July 2005, during Prime Minister Singh's visit to that country. The Singh-Bush joint declaration resolved to transform the relationship between the two countries into a global partnership. Such a strategic global alliance, the declaration said would enhance the ability of India and the US to work together to provide global leadership in the areas of mutual concern and interest. The bond between the two countries has since grown stronger. The revitalized US-

India Economic Dialogue has redefined the relations between the two countries. The CEO Forum formed at the initiative of Prime Minister Singh and President Bush to harness the private sector's energy, ideas and creativity has given a new thrust to the Economic Dialogue. The private sector initiatives have since carried forward the agenda set by the two leaders at various forums. For instance, the Indo-

American Chamber of Commerce, the apex organization that promotes Indo-US bilateral trade held its second Indo-US Economic Summit in November 2005, which identified the areas of opportunities in bilateral trade as well as irritants that were hindering its growth. Captains of the Indian industry were confident that Indo-US bilateral trade could double to \$ 40 billion by 2008 from the



present \$21 billion. Sending out a clear signal to US investors, Minister for Industry and Commerce Kamal Nath said India would need a massive investment of about \$150 billion in the next 5-10 years to build its infrastructure. Then he threw in the bait. Quoting a survey of foreign companies operating in India, Kamal Nath said that 77 percent of them made profits while 14 percent were about to make profits and the rest 9.0 percent approached the break-even point. The optimism of the speakers from the US too was evident. Michael Carter, Country President, World Bank said India's policies governing Foreign Direct Investment did not permit full ownership by foreign players and needed further

On the issue of democracy and democratic values, Bush is all too aware of India's strengths. India is a multi-ethnic, multi-lingual and multi-religious democracy. The country is also a leader in the realm of knowledge, and is emerging as an economic power. The US companies will need India's domestic market, which boasts nearly 300 million middleclass consumers with rising incomes. India has already demonstrated its purchasing power by placing orders with Boeing for aircraft worth \$11 billion.

President Bush realizes India's purchasing power and how it is helping the US companies. In a speech to Asiatic Society in Washington, recently he said: "We must also recognize that India's growth is creating new opportunities for our businesses and farmers and workers. India's middle class is now estimated at 300 million people. Think about that. That's greater than the entire population of the United States. India's middle class is buying air-conditioners, kitchen appliances, and washing machines, and a lot of them from American companies like GE, and Whirlpool, and Westinghouse. And that means their job base is growing here in the United States of America. Younger Indians are acquiring a taste for pizzas from Domino's and Pizza Hut. And Air India ordered 68 planes valued at more than \$11 billion from Boeing, the single largest



liberalization. India should also allow global retailers to participate in retail trading. Further reforms in banking and insurance and removal of trade barriers were called for. The Indian government has been working on the issues raised. And hopefully, most of the impediments will be removed. Also in November 2005, the Indo-US High Technology Cooperation Group held its public-private forum on biotechnology, nano-technology and defense trade.

A few days ahead of his India visit, President Bush said, he "is absolutely committed to building an enhanced, comprehensive relationship" with India, and looks forward to working with Prime Minister Singh. During his forthcoming talks in Delhi, he will strive to promote the concept democracies and democratic values, improve economic ties, work for health, environment and climate control and civilian nuclear energy co-operation.

commercial airplane order in India's civilian aviation history. Today India's consumers associate American brands with quality and value, and this trade is creating opportunity here at home."

President bush further said: "The growing affluence of India is a positive development for our country. We welcome the growing prosperity of the Indian people, and the potential market offers for America's goods and services. As India economy expands, it means a better life for the Indian people and greater stability for the region. It means a bigger market for America's businesses and workers and farmers."

Civilian N-energy

On the proposed civilian nuclear energy pact with India, Bush said it was a "good policy" for America to encourage emerging economies to use clean energy like nuclear power.

"I continue to encourage India to produce a credible, transparent, and defensible plan to separate its civilian and military nuclear programs," Bush said in a recent press interview. "By following through on our commitments we will bring India's civil nuclear program into international mainstream and strengthen the bonds of trust between our two great nations, he added." Both countries realize that it is not an easy decision to make and implementing this agreement will take time and patience.

A few days ahead of Bush's visit to India, a senior Washington official said the US was "90 per cent of the way there" on formally working out Indo-US civilian nuclear arrangement." Under Secretary of State for Political Affairs Nicholas Burns said, "We've just got 10 percent to go."

"This has been a uniquely complicated negotiation between two equal parties. But we are committed to it. And as long as both of us show flexibility in the details, I'm confident that we will come to an agreement," he added.

In another context, President Bush said the deal was in the interest of the United States, adding the US "got to get off of hydrocarbons. We just do. And I'm a believer in nuclear power".

In New Delhi, sources in the Prime Minister's Office and the Ministry of External Affairs admitted "substantial movement" over the nuclear deal. Already, three India-US working group meetings have discussed the issue, making both sides aware of the practical and political problems.

Prime Minister Singh put the issue in perspective. In a statement to the Indian Parliament, he explained that the civilian nuclear energy cooperation with the US is about security, but not the kind that comes from nuclear weapons. It is about assuring energy security for the country. India needs energy if its growth rate is to be stepped up from the present 8.0 percent to a double digit or more.

President Bush understands how desperately India needs power. He told the Asiatic Society: "The United States and India will work together to help India meet its energy needs in

a practical and responsible way. That means addressing three key issues: oil, electricity, and the need to bring India's nuclear power program under international norms and safeguards."

President Bush is aware that India imports more than two-thirds of its oil requirements. And India will need more oil as its economy grows.

The Bush government has proposed an Advanced Energy Initiative to make the country less reliant upon oil. Under this initiative, the US is spending money on R&D to develop cleaner and more reliable alternatives to oil, alternatives that will work, alternatives such as hybrid vehicles that will require much less gasoline, alternatives such as new fuels to substitute for gasoline, and alternatives such as using

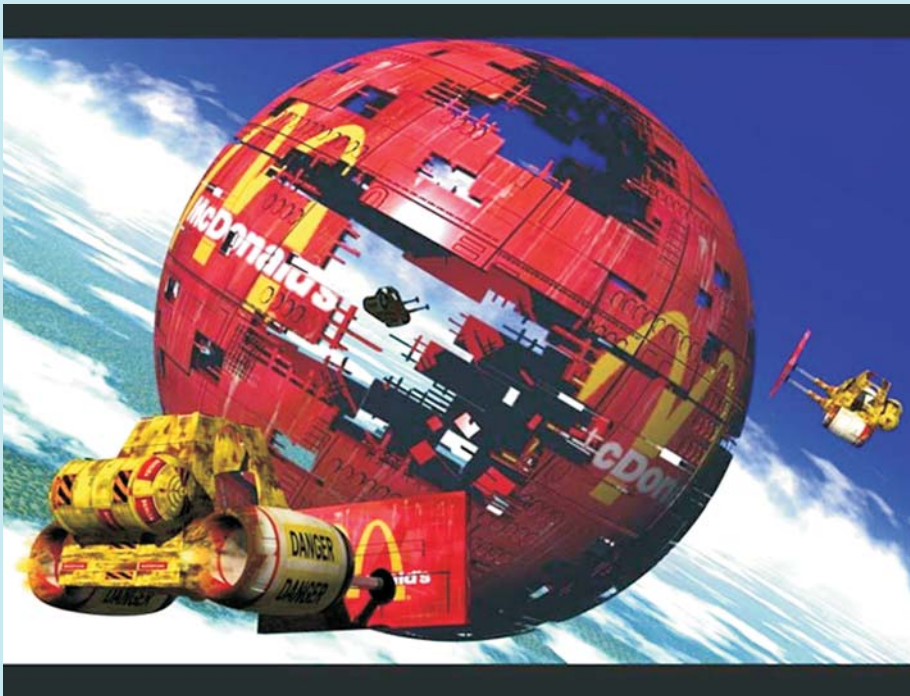


hydrogen to power automobiles.

"We will share these promising energy technologies with countries like India. And as we do so, it will help reduce stress on global oil markets and move our world toward cleaner and more efficient uses of energy," President Bush said. .

India's growing economy is also creating greater demand for electricity. Nuclear power is a clean and reliable way to help meet this need. Nuclear power now accounts for nearly 3 percent of India's electricity needs, and India plans to increase the figure to 25 percent by 2050. And America wants to help.

The Bush administration is also working on another initiative called the Global Nuclear Energy Partnership. Under this



and the US reached last July, when they agreed to a civil nuclear initiative that will provide India access to civilian nuclear technology, and bring its civilian programs under the safeguards of the International Atomic Energy Agency.

Outsourcing

It goes to the credit of President Bush that he has not fallen prey to politicizing the issue of outsourcing, unlike his opponent in the Presidential poll, John Kerry, two years ago. He is also aware that outsourcing is the area that is receiving the most attention in Indo-US relationship. "It's true that a number of Americans have lost jobs because companies have shifted operations to India. And losing a job is traumatic. It's difficult. It puts a

partnership, the US will work with nations that have advanced civilian nuclear energy programs, such as Britain, France, Japan, and Russia, to share nuclear fuel with nations like India that are developing civilian nuclear energy programs.

The supplier nations will collect the spent nuclear fuel. And the supplier nations will invest in new methods to reprocess the spent nuclear fuel so that it can be used for advanced new reactors. The strategy will allow countries like India to produce more electricity from nuclear power, and enable them to rely less on fossil fuels. It will decrease the amount of nuclear waste that needs to be stored and reduce the risk of nuclear proliferation.

Here lies the crux of the issue that is being sorted out by both the countries. To benefit from the US Initiative, India first needs to separate its civilian nuclear programme from the military one and bring its civilian energy programs under the same international safeguards that govern nuclear power programs in other countries. This was the understanding that India

strain on our families. But rather than respond with protectionist policies, I believe it makes sense to respond with educational policies to make sure that our workers are skilled for the jobs of the 21st century.

Several global studies have proved that outsourcing actually helps the companies back home in cutting down their costs and getting globally competitive. And it is applicable to most American companies, which have been outsourcing work to Indian firms. And the US is the biggest market for Indian exports of Information Technology (IT) and IT enabled services (ITeS), accounting for more than 66 percent of the





India initiated economic reforms 15 years back and is still in the process of continuing them. The country has opened its markets to foreign trade and investment. The US wants India to lift its caps on foreign investment and make its rules and regulations more transparent, at the same time further lowering its tariffs and open its markets to American agricultural products, industrial goods, and services.

"When trade is free and fair, it benefits all sides. As India's economy expands, it means a better life for the Indian people and greater stability for the region. It means a bigger market for America's businesses and workers and farmers., " President Bush said.

total exports, valued at \$ 11.7 billion in 2004-05.

President Bush said on another occasion: "The right way for America to respond to the challenges of our growing and changing economy is not a retreat to economic isolationism, but a pro-growth economic agenda, a strong education system, and a helping hand for American workers to gain the skills to secure good jobs. I know that economic changes can cause painful dislocations for some workers and their families, and I am committed to help ease these transitions and assist workers in preparing for the global economy and the jobs of the future.

Economic Reforms

President Bush is also keen to see that the Indian Government carries out its reform process further to fully facilitate the flow of foreign investment.

"I believe there's a general consensus in India about the need to continue reforming the economy. This will benefit both our countries in the longer term. We will also continue to work hard together on moving forward the new initiative" President Bush said.



The US is certainly going to seek assurances from India on its commitment to expedite the reform process. "We'll continue to work for agreements on these economic and regulatory reforms, to ensure that America's goods and services are treated fairly. My attitude is this: If the rules are fair, I believe our companies and our farmers and our entrepreneurs can compete with anybody, anytime, anywhere," President Bush said.





The US is aware that India is not only an important market for American products, it is also an important partner in opening up world markets. The US is aware that India is a key player in the Doha Round of trade talks at the World Trade Organization (WTO). The WTO members' aim is to complete the Doha Round by the end of this year, the implementation of which could spur economic growth across the world.

"We look to India to continue to lead as we work together for an ambitious agreement on services and manufacturing and agriculture," President Bush said.

The US believes that global trade is vital to the success of its own economy and job creation schemes.

Expanding Trade with India

"We need to continue to expand trade and work to open markets for American goods and services. Millions of high-paying American jobs depend on trade. American farmers, who plant one in three acres for export, depend on trade. And foreign-owned firms in the US employ over six million Americans," Bush said.

Indo-US trade is getting stronger and more diverse. In 2005, the US exports to

India grew by more than 30 percent, posting a trade surplus of \$1.8 billion in services. India is now one of the fastest-growing markets for American exports, and the growing economic ties between our two nations are making American companies more competitive in the global marketplace, which in turn, are helping them to create more jobs in America.

Support to Democratic Movements

India and the US have also been working together to support the democracy movement across the globe. In the aftermath of the July 2005 agreement between the US and India, both countries launched the Global Democracy Initiative and promoted the United Nations Democracy Fund.

The fund provides grants to governments and civil institutions and international organizations to help them administer elections, fight corruption, and build the rule of law. The US is also encouraging India to work with other nations that will benefit from its experience of building a multiethnic democracy that respects the rights of religious minorities.

Health

India and the US are certainly going to talk about such global problems as HIV/AIDS, bird flu and environmental issues. Latest energy technologies such as zero-emission coal-fired plants will figure in the talks.

Fight Against Terrorism

One of the issues that President Bush will insist on is the reiteration of India's commitment to fight terrorism. India will certainly agree to this. The Americans and the Indians are under constant threat from terrorists.

There will be renewed cooperation between intelligence and law enforcement agencies of both countries on a regular basis on various fronts. The two governments are expected to share vital information on suspected terrorists and potential threats.

Bush will also talk about Kashmir. But he has made it clear that the US would not mediate on Kashmir. Of course, America will support a resolution in Kashmir that is acceptable to both sides, Bush has made it clear.



Economic Survey calls for labour & tax reforms

Wanted: Bold Initiatives

India's Economic Survey, an annual official document that reviews the country's economic health, has prescribed bold initiatives, including hastening of tax and labour reforms and measures to push infrastructure development.

The Economic Survey, released a day ahead of the Budget for fiscal 2006-07 (April-March) presented on February 28, predicted moderate inflation despite volatile global oil prices.

Though the economy was on a roll with 8.1 per cent growth projected this year 2005-06, ending March 31, the Survey, however, warned that there was risk of hardening interest rates, higher inflation and fiscal deficit in the face of a global oil crisis.

Without tackling the major problem of power, it would be difficult to move on to high 8-10 per cent growth, the report card of the government said.

The 2005-06 Survey was tabled in Parliament by Finance Minister P Chidambaram, who promised to cut deficits and deal with the problem of unprecedented oil prices and upward pressure on interest rate.

The document advocated unburdening the industry from high level of taxes and distortive exemptions that provided perverse incentives. It also favoured levying user charges and cutting unwanted subsidies.

Welcoming the hard reforms prescribed by the Survey, trade and industry said they would not get the requisite shot in the arm without implementing the pragmatic suggestion of "debottlenecking" the

infrastructure and speeding up tax reforms.

Simplification and digitisation of tax administration remains a pre-requisite for a transparent and hassle free tax system, the Survey said.

Warning that "the danger of an unprecedented price increase was ever-present," the Survey said given the sufficient foreign exchange reserves and government's commitment to further trade and tariff reforms and strict fiscal prudence and monetary discipline will see the price level remaining within tolerable limits in the medium-term.

The Survey also said the worry about growing imports and burgeoning current account deficit was somewhat misplaced as it is unlikely to pose a balance of payment problem, because of high capital and other essential inputs that would only add to export momentum.

As regards the labour laws, the Survey was highly critical, saying, "Indian labour laws are highly protective," and suggested drastic reforms taking a cue from the Chinese.

Appreciative of the pick up in agriculture, with the sector likely to end up with 2.3 percent growth, the Survey, however, made a strong case for pushing up reforms in the sector and improving flow of credit.

The Survey laid special emphasis for speeding up agriculture and rural development, particularly in areas like horticulture, floriculture, organic farming, genetic engineering, food processing, branding and packaging and futures trading.

It also listed some of the issue is that needed to be tackled in



agriculture like low yield, volatility in production and wide disparities in productivity. The Survey favoured a shift from the existing minimum support price (MSP) and public procurement system and developing alternative product markets.

Identifying power shortage as the single most impediment to growth, the Survey said appropriate policy initiatives constituted the first and foremost challenge for speedy infrastructure development.

It favoured liberalization of FDI regime for captive mining as slowdown in mining sector was of concern, especially coal, which accounted for 60 per cent of the country's primary energy demand and 70 per cent of power generation.

Laying emphasis on infrastructure development, the Survey said Rs 172,000 crore (Rs 1,720 billion) was required for highways by 2012, Rs 40,000 crore (Rs 400 billion) for airports by 2010, Rs 50,000 crore (Rs 500 billion) for ports by 2012.

A substantial share of this investment is expected to come from the private sector and India has a potential to absorb 150 billion dollar of FDI in next five years.

The management of oil prices required rapid and bold policy responses, the Survey said regretting that the movement towards market determined prices in the hydrocarbon sector has floundered pending resolution on subsidies in domestic LPG and PDS Kerosene.



With considerable investment in the pipeline reflecting the confidence of domestic and foreign investors in the economy, the securities market, though well-equipped, needed further improvements, it suggested. The improvements should be in areas of disclosures, trading technologies and policies on derivatives, removing the problem of multiple bids, strengthening the investigation and surveillance and improving the functioning of bond markets.

Highlights:

Economic growth projected at 8.1 per cent in 2005-06.

- Agriculture growth at 2.3 per cent.
- Foodgrains output up by 5 million tonnes to 209.
- Inflation rate projected at 5% in current fiscal.
- In medium-term, inflation likely to fall.
- Interest rates may harden.
- Savings rate up at 29.1 per cent of GDP.
- Investment rate up at 31 per cent of GDP.
- Industrial growth at 7.8 per cent (April-December).
- Fiscal and revenue deficit targets to be met.
- Tele-density increases to 11.32 per cent.
- Current account deficit surfaces after a gap of 3 years.
- Trade deficit increases.
- Bold policy reforms in oil sector required.
- Policy required for speedy development of infrastructure.
- Indian industry needs to be unburdened from high taxes.
- Forex reserve down by \$2 billion to \$139.2 billion (till Jan'06).





A Please - All Budget

In a please-all Budget for the financial year 2006-07 (April-March) presented on February 28, Finance Minister P. Chidambaram, laid stress on agriculture and poverty alleviation, while maintaining a status quo on the existing structure of personal and corporate income tax.

Painting a bright picture of the Indian economy in his third consecutive annual Budget, Chidambaram said the economic growth in 2005-06 ending March 31 was likely to be 8.0 percent and the government was determined to step it up to 10 per cent in the next few years.

"The assault on poverty and unemployment continues. I believe that growth is the best antidote to poverty," he said

The Budget proposed an increase in agricultural credit. It is to be raised to Rs 175,000 crore in 2006-07 from Rs 141,500 crore in the current year, covering 50 lakh more farmers. A separate window for tenant farmers is to be set up to ensure them a loan share.

Chidambaram did not propose any changes in the rates of personal or corporate income tax, which pleased the salaried classes as well as businessmen. So, the reaction was one of appreciation. "It's 'good budget'" was the first reaction to the Budget..

Responding to the demand for tax exemption on fixed deposits of certain tenure, the finance minister proposed to include investments in fixed deposits in scheduled banks for a term of not less than five years in Section 80C of the Income Tax Act.

More services in Tax net

The Budget brought more and more services under the tax net. One of the services is ATM. The new services to be covered also include maintenance and management, registrars, share transfer between agents and bankers. The other services to be brought within the service tax net include sale of space or time for advertisements other than in the print media, sponsorship of events by companies other than sports events, international air travel excluding economy class passengers, container services on rail excluding the railway freight charges, business support services, auctioneering, recovery agents, ship management services, travel on cruise ships and public relations management services. In 2005-06, the services sector is estimated to contribute 54 per cent of GDP. Naturally, it should also contribute significantly to the exchequer, Chidambaram said.

Excise cut on small cars





Small cars have suddenly become a little cheaper. The Budget has proposed a cut in excise on small cars. Consequently, Maruti 800 and Alto, Hyundai Santro, and Tata Indica will cost a lot less from March 1, 2006. Indian car market leader Maruti Udyog announced a price cut ranging between Rs 13,000-22,000 across five models, including 800 and Alto.

"Maruti prices will reduce from tomorrow," company Managing Director Jagdish Khattar said, immediately after the budget announcement. That duty had been reduced by 8.0 percent to 16 per cent. The price cut on the popular 800 will be around Rs 13,000, hatchback Alto by Rs 15,000, and on WagonR between Rs 15,000 and Rs 22,000,

"We will incur a loss of Rs 30-40 crore because of this though it would be good in the long term," Khattar said. The other two models where prices will be cut are the Zen and Omni van. Minutes after the announcement on the excise duty cut, Hyundai announced a Rs 23,000 cut in prices of its flagship Santro car. "The Santro will cost Rs 23,000 less from tomorrow," Hyundai India President B V R Subbu said.

Welcoming the finance minister's



announcement, he said it would give a fillip to the small car segment. "We hope that it leads to a significant growth in demand for small cars," he said.

Tata Motors on Tuesday said it will be reducing the prices of some of its cars, including the hatchback 'Indica,' following the reduction of excise duty on small cars. "We will be reducing the price, though exact details are being worked out," Tata Motors vice president (passenger car business unit) Rajiv Dube said. The duty cut will be applicable to 1500 cc diesel cars and 1200 cc for petrol cars.

Duty cut on life-saving drugs

Certain life-saving drugs, kits and equipment will now be cheaper with the reduction in customs duty on them. The drugs on which customs duty has been reduced to five percent include 10 anti-AIDS and 14 anti-cancer drugs.

Duty has been reduced on life-saving drugs, kits and equipment from 15 percent to five percent. These drugs will also be exempt from excise duty and countervailing duty.

Defence spending raised

The budget increased the allocation for defence from Rs 83,000 crore to Rs.89,000

crore in 2006-07..

This will include Rs 37,458 crore for capital expenditure. The higher allocation has been made keeping in view the enhanced expenditure on modernization of the defence forces.

"The government has fulfilled the long-standing need of retired armed forces personnel below officer rank for better pension benefits," the Finance Minister said.

No negatives

Captains of Indian industry and investment bankers lauded the Finance Minister for measures to bring in fiscal discipline and cut deficit. But they had a mixed view on the new tax proposals burdening the capital market.

"The industry will be happy as there are no major negatives. It has cut down customs duty and has covered lot of industries as well," CII chief mentor Tarun Das said immediately after presentation of the Budget.

J M Morgan Stanley Chairman Nimesh Kampani termed the budget as a good development on the fiscal side. "I think the minister has done a great job in fiscal deficit, which will be 3.8 per cent of GDP in 2006-07," he said.

Kotak Mahindra Bank Vice Chairman Uday Kotak also welcomed the budget saying it was a positive budget at a micro level and was good for long-term investors.

However, Ruchir Sharma of Morgan Stanley said it was an 'innocuous budget' and there were no policy initiatives to take the market to higher levels. "The market hoped much more than reforms... even the Prime Minister had talked about out of the box thinking," he regretted.

The highlights of the tax proposals:

- No changes in the rates of personal income tax, which will remain as they are currently.
- No change in corporate income tax rate.

- No new taxes on income.
- One by six scheme for filing of income tax returns has been abolished.
- Services tax net to be increased which include ATM operations, maintenance and management, share transfers, registration, international air travel excluding economy class, sponsorship other sports events, auctioneers, ship management and travel on cruise.
- 25 per cent across the board increase in securities transaction tax.

Cooperative lending banks and rural development banks to be exempted from taxes under Section 80(B).

Fixed deposits in scheduled commercial banks with at least five year maturity will get tax exemption for savings under section 80C of Income Tax Act.

- The Rs 10,000 exemption limit for investment in pension funds under Section 80CCC has been removed but these investments would be brought under Sec.80C subject to a ceiling of Rs 1 lakh.
- Donations to only religious institutions



will be exempted from tax.

- Minimum alternative tax on corporates increased from 7.5 per cent to 10 per cent.
- More transactions to come under PAN.
- Constituency allowances of MLAs to be treated as
- constituency allowances of MPs for income tax purposes.
- Banking cash transaction tax introduced last year will
- continue. In one bank branch in Chandni Chowk, laundering to the tune of Rs 1,500 crore was detected.
- Fringe Benefit Tax modified. Threshold limits raised, but FBT will remain as it is justified for ensuring horizontal equity.
- Minimum alternative tax on corporates increased from 7.5 per cent to 10 per cent.



World markets
for

ripe Indian exports



The Global Trade Finance Ltd, (GTF) has posted a remarkable performance since its inception three years back. Export Factoring, GTF's core product and a package of other services, have paid rich dividends. GTF's Managing Director & CEO **Arvind Sonmale** talks about his company's performance and strategy for the future, in an interview with Indo-US Business Managing Editor **Satya Swaroop**. Excerpts.

In 2004-05 (April/March), Global Trade Finance (GTF) posted a phenomenal growth of 340 percent in net profits and 136 percent in business turnover. What factors contributed to this extraordinary growth?

April 04-March 05 saw GTF grow at a fast pace in terms of assets, turnover and profits. The year represented the third full year of GTF's operations. There was a change in the shareholding with Exim Bank, India becoming the largest shareholder instead of the earlier West LB and FIM Bank. Malta, having extensive trade finance expertise and international presence became a new shareholder. Both major shareholders extended unstinted support and shared expertise. The year also saw a change in management and product mix. A clearly defined business strategy, underpinned by high levels of customer relationship and responsiveness were the key determinants driving the pace of growth. Above all, factoring as a product moved into an "acceptance" mode from the "novelty" mode in India bringing this country on par with the finance products available in developed countries as

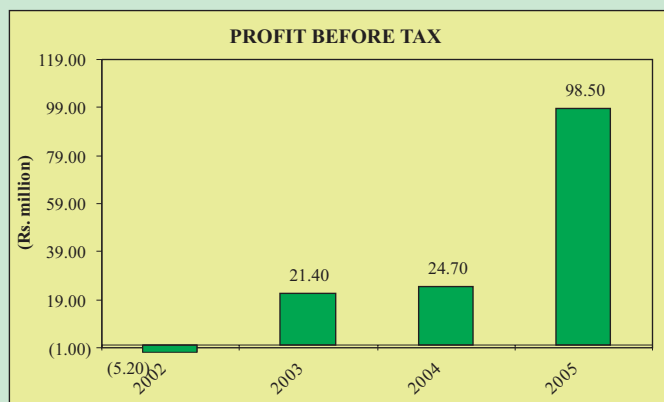
in Japan, Europe and North America.

International or Export Factoring, the core product of GTF, continued to grow during 2004-05, despite higher cost of funds. Fuelled by the buoyant exports scenario in the country, the Company's Export Factoring turnover grew from Rs.4,367 million in 2003-04 to Rs. 6,432 million in 2004-05, a growth of 47 percent in absolute terms. In order to provide a responsive and rounded service to its clients, GTF undertook finance of a few cross border transactions under D/P and LC terms.

Thus, overall the company has booked business aggressively by locating opportunities and offering a greater value-add to its clients. During the year, GTF received approval from RBI to offer pre-shipment finance in Rupees to its clients. It also added Channel Financing for domestic sales with credit protection to its menu of product offerings. Moreover, in December 2004, GTF relocated its Chennai office, to new premises at a prime location. The new location has an advantage of easy accessibility to the prime business center in the metropolis.

The year 2005-06 will be coming to close in the next two months. Will GTF repeat or exceed its previous year's performance?

At the end of three full years of operations, GTF occupies a unique position as a major player in trade finance in India. The company's objective is to offer trade finance solutions to its clients, in a simple manner that go beyond banking. Since March 31, 2002, the company has shown a consistent



increase in its turnover and profit after tax, (see graph):-

Keeping the above trend in mind, the company has budgeted for an estimated turnover of Rs. 30,000 million for FY 2005-06. This includes Rs. 9,000 million for Export Factoring and Rs. 21,000 million for Domestic Factoring.

The company has been quite aggressive during the year in order to meet its target and has expanded its operations in the coming fiscals by targeting major geographical trade centers of the country. The industry verticals that have continued to remain focus areas are Pharmaceuticals, Chemicals, Automotive components, Textiles and Engineering goods. Newer products in response to changing customer needs have been an important ingredient in GTF's growth story. Domestic Factoring without recourse, Reverse Factoring and Import Factoring are new products introduced recently.

Could you brief us on the overall global economy and the near-term forecast for 2005-06 and 2006-07 and what will be the growth projections for India's exports and imports?

The global economy has displayed remarkable buoyancy and resilience during the past couple of years. World output is estimated to have expanded by 5.1 percent during 2004, which is the highest growth achieved in the past three decades. While such high growth is unlikely to be sustained during the next two years, we expect that world output will nevertheless rise at the relatively high rate of 4.3 percent during 2005-06 (this is based on IMF analysis). We also predict that world output would continue to expand by the same rate of 4.3 percent during 2006-07. This is strong expected growth in world output during 2005-06 is remarkable considering that there has been a continuing increase in crude oil prices. This suggests that economic structures in many countries, both industrialised and developing economies, have become more flexible because of appropriate policies and reforms. Low long term interest rates, resilient global equity markets, strong corporate profits and accomodative macroeconomic policies have all played a role in offsetting the impact of high oil prices. In particular, China and India have emerged as stellar performers with predicted growth of 9.0 percent and between 7.0 to 8.0 respectively during 2005-06.

From the viewpoint of Indian exporters, buoyant world trading conditions present a very conducive environment for expanding exports. During 2004, world trade volume rose by a hefty 10.3 percent (reflecting a characteristic of the world





economy revealed over several decades where trade growth has always far exceeded GDP growth). This represents the second highest growth in world trade since 1998. As in past years, lower expected world output growth during the next two years will inevitably affect world trade. Nevertheless, world trade volumes are expected to grow at relatively high rates of 7 percent and 7.4 percent during 2005-06 and 2006-07 respectively.

During April to December 2005, the value of Indian exports amounted to US\$ 66 billion which represents an increase of 18 percent compared with the corresponding period of 2004. Going on the basis of this export performance, it is likely that exports during 2005-06 will be close to the official export target of US\$ 93 billion for 2005-06. This target represents a 16 percent growth, in US dollar terms, over 2004-05. With world trade volumes likely to grow in 2006-07 at about the same pace as in 2005-06, it is predicted that the growth in Indian exports during 2006-07 would be between 15 to 20 percent.

As regards to imports, going on the basis of trends during April to December 2005, the value of imports in US\$ terms during 2005-06 are likely to grow by about 20 percent compared with the previous year. With moderation in the rise of oil prices, import growth may come down to about 15 percent in 2006-07.

What is your perception of the global oil prices

scenario, with focus on India, one of the largest importers of oil?

There are two important ways in which rising oil prices affect the Indian trade sector. The direct impact is through the rising costs of oil imports, which are a major component of India's import basket. The more indirect consequence is through the effect of rising oil prices on global economic growth and trade, which in turn affects India's export growth.

We shall consider the indirect impact first, since it has not attracted enough attention in India. From India's viewpoint, it is a relief to find that rising oil prices during the past year have only had a modest effect on global economic growth. Although, forecast global economic growth for 2005-06 is only a little less than the high growth recorded in 2004, there are several reasons for the relatively limited impact of oil price increases on global economic growth, compared with earlier episodes, especially the experience of the 1970s. One is the structural decline in the oil intensity of the global economy over the years. Another key reason is that the principal factors responsible for recent oil price increases have been robust demand for oil and expectations of future shortfalls in oil capacity rather than the occurrence of a major disruption in oil supply (though there has been a shortfall in non-OPEC supplies). Hence, global oil consumption has continued to keep pace with the needs for economic growth.

It is expected that oil prices may continue to remain at high

levels during 2006. However, because of the relatively limited impact on the global economy and world trade, it is likely that the trading environment for Indian exporters will continue to be buoyant.

However, as regards to the impact on India's oil imports, there has been a sharp rise in the oil bill. The value of oil imports during Apr-Dec 2005 rose by as much as 45 percent compared with the corresponding period of 2004 (in comparison, non-oil imports rose by only 20 percent). Oil accounts for a major share of India's import basket (during 2004-05, the share of oil was 27 percent). Hence, the increased cost of oil imports has been a major factor in the widening of the trade deficit, which rose sharply by 54 percent during Apr-Dec 2005, compared with Apr-Dec 2004. Continued efforts to enhance domestic oil production capacity and diversify energy sources will reduce the dependence on imported oil. However, this is likely to be a slow process. In the near term, high export growth both of goods and services and continued large inflows of foreign capital (both foreign direct investment and portfolio capital) are likely to offset the impact of the rising oil prices on India's balance of payments. This is evidenced by the fact that India's balance of payments position continued to remain comfortable in 2005 with foreign exchange reserves rising by about US\$ 1.7 billion between March and October 2005.

What are the short-term projections for the factoring sector against the backdrop of the fluctuations in interest rates?

The factoring sector can be positively and negatively affected due to interest rate fluctuations. In the advent of rising interest rates, factoring companies tend to face pressure on their margins. In such a situation, banks, with a limited need to borrow funds, tend to have an edge over and above NBFCs providing factoring as a service. Due to this, banks usually are in a position to lend at competitive rates. However, the drop in margins can be minimized by increase in the quantum of business. In a soft interest rate regime, factoring companies definitely tend to benefit. They have an option to widen the gap between borrowing and lending.

Financing is just a part of the factoring service provided by companies like GTF. There is continuous cash flow due to other services offered like credit protection, collection of receivables and follow-up and sales ledger management and analysis etc. As long as there is increased demand for money from the exporter and importer community, volumes should not deter.

Thus, the factoring sector may tend to be partially affected by interest rate fluctuations in the short run. However, with

increase in quantum of business, the impact gets reduced in the long run.

Give us a brief account of the changes perceivable in the near future in global as well as local currency markets and their impact on India's exports and imports.

A remarkable feature of 2005 was the appreciation of the US dollar in relation to the currencies of other major industrialized countries. This was a reversal of trends in 2004 when the US dollar was in a weak position. The rally of the US dollar during 2005 reflects a number of factors including strong growth in the US economy, the poor economic performance of the Euro area, and interest rate differentials favouring the US. Expected growth differentials in 2006 between the US and the Euro area continue to favour the US. However, traditional concerns about the large budget and external deficits in the US, which has emerged as a chronic structural problem, will continue to affect the strength of the US dollar (the gravity of the problem is indicated by the fact that the US current account deficit in 2005 is estimated to exceed 6 percent). Hence, it would be difficult to predict the movement of the US dollar in the near future.

In tandem with the appreciation of the US dollar during 2005, the Indian rupee has depreciated against the dollar and appreciated in relation to the Euro, Pound Sterling and Japanese yen. This has boosted export earnings and raised the cost of imports. Nevertheless, the Indian trade deficit has been widening because of the increased import bill, on account of the continuing rise in oil prices. However, the overall Indian balance of payments has been comfortable because of other foreign currency receipts especially foreign capital inflows. Because of the continued attractiveness of the Indian economy for foreign investors (including both foreign direct investment and portfolio capital) and other dollar inflows, it is possible that the rupee may gently appreciate to an average of Rs. 43/ US\$ and Rs. 42.5/ US\$ in 2006 and 2007 respectively.

What is Global Trade Finance's specific advice to the Indian export community?

Our advice to the Indian export community is that, considering the buoyant global trading environment, this is perhaps a most opportune time for them to plan and implement an aggressive thrust into international markets. Despite some protectionist cries, there is also major liberalisation of trade in global markets, partly because of WTO initiatives. For instance, the removal of global quotas in trade in textile and clothing has meant a dramatic expansion in the opportunities for export of such products. However, the



Indian export community will doubtlessly appreciate that, competition is also intense in global markets, largely because of the strong capabilities developed in many competing countries, particularly China. Hence, besides vigorous efforts to sell world class goods (or services), exporters should also place adequate emphasis on all the other factors that contribute to successful export efforts such as marketing and finance. In the area of finance, we find that many exporters are not making full use of all the financial services and mechanisms that are available to compete effectively, because of lack of knowledge or inadequate appreciation of the benefits. For instance, there is still limited use in India of export factoring, which is a core product for GTF, despite its well known advantages (especially for small and medium enterprises) which have made factoring popular in many countries. On its part, GTF, through its various financial products and services, will do its utmost to support the Indian export community to capitalize on the enormous opportunities being opened up in export markets.

Any other information that you would like us to carry regarding GTF and the export-import scenario.

International trade continues to play a growing role in economic activity and sustained development, enabling a higher standard of living and poverty alleviation. Growth of external trade in Asia is one of the key drivers of world economic growth. Export and import growth has been strong and accelerating across Asia through most of the last decade.

Ensuring adequate availability of credit to exporters and importers at competitive rates has always been an important policy consideration for the government. Given the large number of commercial banks in India and their widespread network of branches, they have constituted the main source

of short term trade financing through various schemes including bill discounting, refinance facilities, issuance of guarantees etc. Despite a significant rise in export credit over the last two years, commercial banks have typically played a passive role in providing export finance. At times, when other forms of bank credit have been much more lucrative, there have even been complaints of shortage of export finance from banks for small exporters.

Favorable payment terms make exports more competitive. Exporters may need financing to produce goods or to finance other aspects of a sale such as promotion and selling costs, engineering modifications and shipping costs. Hence, exporters and importers are looking for any competitive advantage that would help them increase their sales.

Importers increasingly prefer open account terms in place of conventional credit routes. Hence, transactions on open account terms with extended dating are becoming common in spite of it being ridden with high amount of risks and dangers to the seller.

This development has been instrumental in creating a need for newer instruments of export-import finance and risk mitigation. Due importance is also being given to reduction in political economic uncertainties faced by exporters and importers. As a result, there has been popularization and adoption of alternate external trade financing mechanisms like Factoring, Forfaiting and Purchase Order Financing. These instruments along with older instruments such as Pre-shipment Financing and Post-shipment Financing, offer a distinct value added proposition to its customers, who are primarily small and medium sized exporters and importers and are unable to mitigate risks.

We at GTF are the only providers of international factoring, domestic factoring and forfaiting services under one roof in India. Our customized and highly professional solutions for receivables management, global trade financing and risk mitigation are geared to make it a smooth road for Indian exporters. That too, with minimum facility setup time and superior and world-class service. Our comprehensive package of services include:

- Export Receivables Financing with Credit Protection
- Domestic Receivables Financing with/without recourse
- Import Factoring
- Credit Protection and Management
- Collection Services and Follow-up
- Professional Sales Ledger Management and Analysis ■



GTF: Products & Services to Exporters

A Gateway to Global Opportunities

Global Trade Finance Ltd. (GTF) offers a comprehensive package of products and services to exporters in India under one roof, which serves as a gateway to global opportunities..

Export Factoring

Export Factoring or International Factoring is a comprehensive receivable management service encompassing finance, collection, sales ledger management and credit protection for exports on open account terms. No Letter of Credits (L/C) are necessary and credit protection is comprehensive.

Domestic Factoring

With the introduction of domestic factoring facility, GTF has on offer more solutions for its customers. Now, customers having sales in the domestic as well as international markets can find a single solution at GTF. Depending on the client requirements, GTF offers four variants in its domestic factoring product-

• Domestic factoring with recourse • Domestic factoring with credit protection • Bill Discounting • Domestic L/C Discounting

Similar to Export Factoring, in domestic factoring too, invoices are raised on open account sales of goods and services and are assigned to GTF for financing, collection and sales ledger administration. Usually, this arrangement is used when the buyer and the seller have a long-term trading relationship.

Reverse Factoring or Purchase Bill Discounting

GTF offers Reverse Factoring facility on a selective basis. Reverse factoring is the discounting of suppliers' bills in respect of the client's regular purchases from them. GTF assesses and considers only regular suppliers of the client having a relationship of minimum 6 months. Suppliers have to be pre-approved by GTF.

Import Factoring

Import factoring is a financial service that enables an

Importer to purchase goods and services from an overseas supplier on short-term credit of upto 180 days on open account terms without the need for opening a L/C.

As an importer, you will receive credit from your overseas suppliers without incurring any cost to be paid to GTF. Your primary obligation is to effect payment to GTF on the due date for the respective imports.

LC Discounting

Under this facility, GTF discounts the LC's of prime banks acceptable to GTF. GTF offers this facility in combination with its basic factoring facility.

Forfaiting

Forfaiting is a specialized trade finance product, which enables the exporter to do business even in high-risk markets. It is the discounting of trade related obligations, due to mature at a future date, "without recourse" to the seller for tenors up to 10 years on a fixed rate basis. Financing under forfaiting for trade receivables is normally guaranteed by the importer's bank, a sovereign entity or a multinational corporation. Forfaiting effectively transforms a credit sale into a cash sale. The documents used in forfaiting are any of the following negotiable instruments guaranteeing payments:

• L/C / Bank Guarantee • Bills of Exchange / Promissory Notes

Channel Financing

Channel Financing enables GTF's clients to discount their receivables, without recourse, on account of supplies made to their dealers/distributors. GTF sets up lines of credit on its clients and funds the clients within the set limits for supplies to the dealer. On the due date, the payment is received from the dealer.

Channel finance ensures the immediate realization of sales proceeds for its client, making it practically a cash sale. On the other hand, the dealer gets credit for a pre decided tenor sanctioned by GTF, enabling smooth liquidity management.

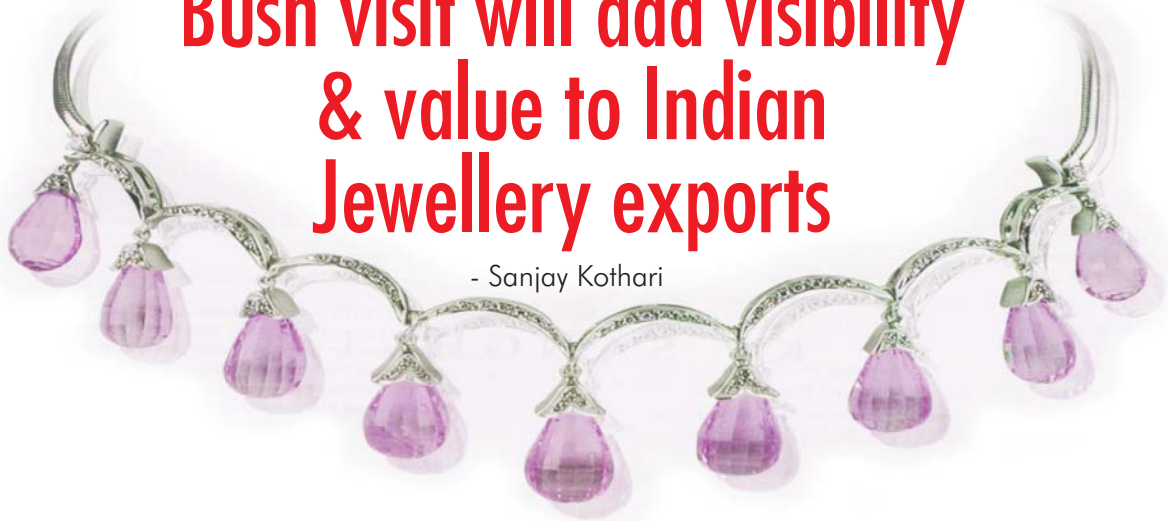
For more details contact +91 22 5694 6000





Bush visit will add visibility & value to Indian Jewellery exports

- Sanjay Kothari



India is the world's largest supplier of polished diamonds. However, in the international jewellery markets, India's share is negligible, being a late starter in this segment. Sanjay Kothari, Convener, Promotion, Marketing & Business Development in the Gems and Jewellery Export Promotion Council, is confident that President George Bush's visit to India will provide the much-needed visibility to this country's competence in Jewellery manufacture. In an interview with Indo-US Business, Kothari says the Bush visit will help India's exports to the US, the world's largest jewellery market. Excerpts.

What do you expect from the visit to India by the President of the United States, George Bush?

The Bush visit is a medication for India and its huge market. India is seen as a real good trading partner for them. So whatever trade policy the US will implement is going to benefit India.

So what kind of positive vibrations do you think Bush's visit will create for promoting bilateral trade that will include a whole lot of commodities, especially polished diamonds?

As far as the gems and Jewellery industry is

concerned, Bush's visit is going to be the most important and significant because 50 percent of the world's jewellery is being sold to the US. As far as diamond production of India is concerned we are the largest and 80-90 percent of the world's polished diamonds are being cut and polished in India. So whether the jewellery is going from India, Hong Kong, Germany, or Italy, all the diamonds are coming from India. Bush's visit will be significant for other commodities as well. But we being the major producers of polished diamonds that, the jewellery sold in the US, which is our largest market, will make our visibility be of greater significance to the people



of the US at large. Today our share in the world market is quite large. Apart from diamonds, we have been in the world jewellery market for the past 15 years. Our share is negligible compared to the other countries in the export of jewellery because of various laws and we entered into the export arena a little later compared to other countries and markets where the jewellery industry has been around for 50-100 years. In spite of our being strong in the domestic market, we never touched the export market. In view of the Indian government's agreement with the US, we are able to export to the US without duty. And in 2006 they will be reviewing and extending it further. This would add to the value of the Indian jewellery business which is still growing as only about 5-10 percent. After having attained the Number One position in diamonds, if we want to

industry overall and the US market in particular?

I think even if the US economy is a little bit on the slow side today still the future is always there. And as I said earlier, that even though our market share is negligible still there is a vast potential for overall growth. If our market share had been 50-70 percent it would have affected us to some extent. But I do not think that as far as jewellery is concerned it would be affecting us. As I said we are the world leaders in diamonds and we have no issue there. I see a bright future as far as the industry is concerned. The growth would always be there. Even though there are many industries, which are not doing well, our growth has been around 15 percent..

Are there any other factors, which would give a good boost to the US market, or any other markets in general?

In the US market you have the anti-money laundering law and we are committed to that and are in favour if it. We are going with the government laws, but if they are simplified which is understood

by the exporters, it would help us to a great extent, so that genuine businessmen are not caught unnecessarily in a web of anti-money laundering laws.

How is the Council going to help?

The council is doing promotional efforts. We have been taking part in all international exhibitions, particularly in the US. In Las Vegas, the Council is taking part with large number of exhibitors and trade delegations are going all around the world promoting the Indian diamond and jewellery industry.

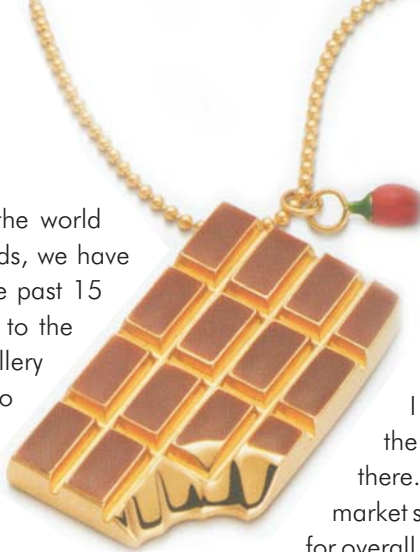
We are also holding a big exhibition here in May, where we expect a large number of visitors and also people from the US. ■

have a quantum jump in the jewellery industry, the Bush visit will help it.

But what are the impediments coming in the way? You mentioned about various laws which are hampering growth?

I was talking about the past, about 1991, when the liberalization era was not yet in, and all the machinery which was required for making these exportable jewellery was not yet available to us, and if available, it was at a higher rate of duty. Gold was not available to us at international prices. All these things have been taken care of and in the last 15 20 years we have been able to enter the world jewellery market.

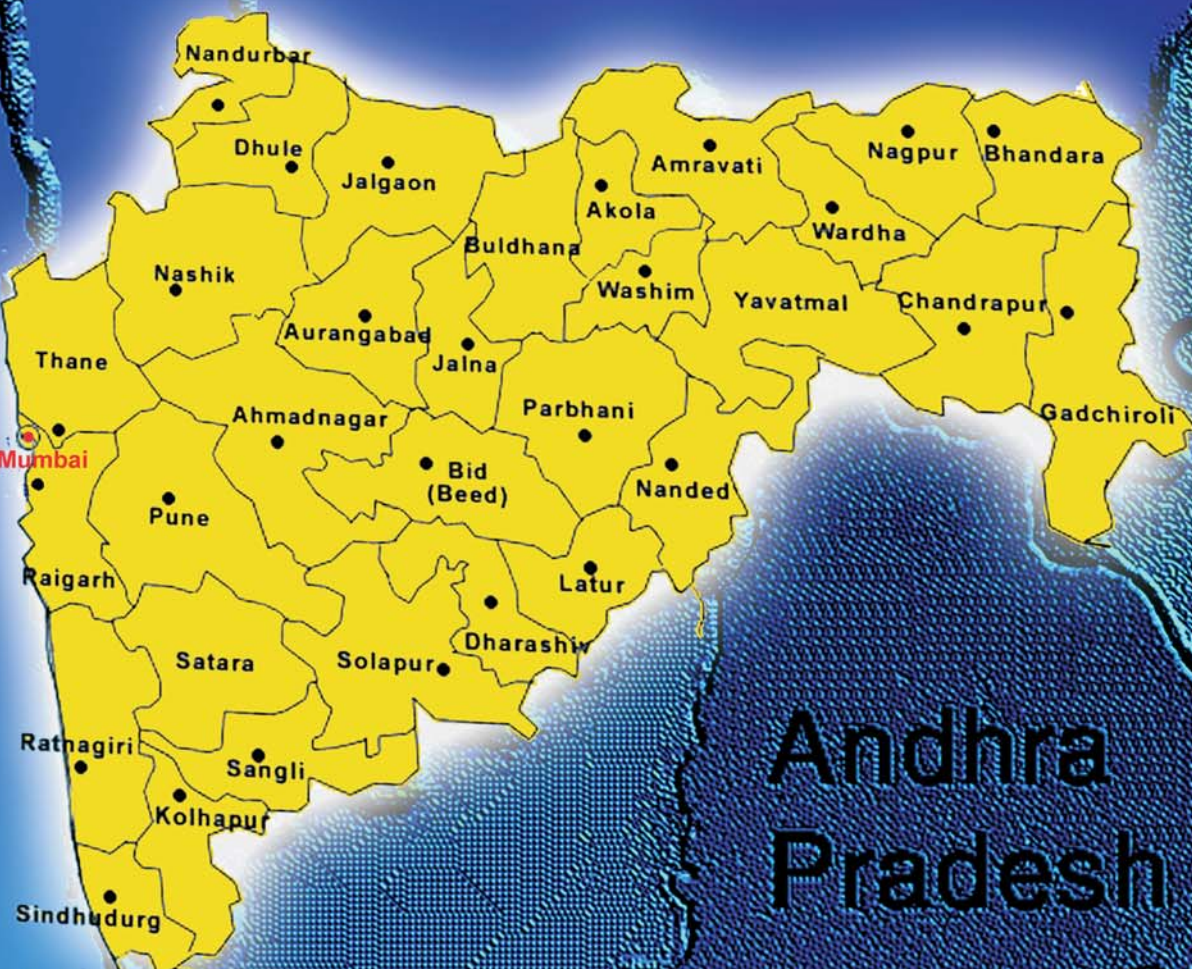
So what is the outlook for the world jewellery





Maharashtra

**Focus on
IT & ITeS
Biotechnology
Wineries**



Mumbai-Thane-Pune Knowledge Corridor Ready

Get globally competitive!

The state government has an industrial policy, which is dovetailed into the central government's overall industrial policy. But strategy wise, what is the cutting edge of Maharashtra?

Maharashtra has always been the most industrialized and the most progressive state in the country. We are not talking only in terms of the industrial infrastructure. Even if you look at it from a social perspective, the kind of reforms, which came in the social sector, have been exceptional. We also have the advantage of Bombay always, and the way Bombay has developed as an industrial area especially in the cotton textile industry.

Trade played a significant part in Maharashtra after it became a separate state. The strengths of Maharashtra came in the form of excellent infrastructure and human resources.

When I say human resources I mean, the technical pool, which is available in the state. Today if I were to just give out a figure, we have about a 1,000 institutions such as ITI, IIT, polytechnic colleges and universities. We are turning out 170,000 technically trained people every year. And this has come about because of good educational institutions in the state. We also have a good entrepreneurial class. The kind of business enterprises, which have come up, have been good. Then the state has also been pro-active. It is not only a one time government policy. There is a consistency and continuity in government policies. So all these factors plus the location advantage has added to making Maharashtra a very attractive avenue for business and investment.

Another important factor to note is that the state did not want to only focus on Mumbai, Pune or Thane in the area of development. The state thought that it must disperse industries. So there has been an overall development and we



Maharashtra's Industry Secretary V. K. Jairath is extremely optimistic about the state retaining its position as India's Number 1 in terms of overall economic growth. In a detailed interview to Indo-US Business, Jairath chalks out Maharashtra's roadmap for progress in key sectors. These include Information Technology, biotechnology, wine manufacturing, automotive industry, etc. According to Jairath, Maharashtra is still the most sought after destination for foreign investment despite competition from other states to attract the same. Following are the excerpts.



can boast of cities like Nagpur, Aurangabad, Nashik, Kolhapur, in addition to Mumbai, Pune or Thane. So there is a wide variety or a wide menu for any investor to see where you would like to locate yourself. Whether you would like to capitalize on the raw material advantage or whether you would like to capitalize on the export or market advantage. So that's what we feel is our strength.

It is a historical advantage that Bombay has, but when you take Information Technology, cities like Bangalore, Chennai and Hyderabad seem to have done better than Bombay. You should have anticipated this kind of an explosion coming up and could have developed some satellite town near Mumbai, which has not been done.

That is not true actually. We are talking of one Chennai, one Bangalore and one Hyderabad. On the contrary, and very deliberately we on the other hand are dispersed. Look at Pune



and its IT infrastructure. We want to brand Pune as the model IT city of the country. IT is not only about putting up buildings and getting companies to work there. It's an environment. In fact we are talking of Mumbai, Navi Mumbai, Thane and Pune as one corridor. We call it the knowledge corridor. So we are not just talking about the BPO industry. Our strength also lies in the knowledge-based industry. BPO is only a small part of it. We are relying on IT and IT enabled services as well as biotechnology. But we have others centers. Look at Nagpur, its now developed as a multi-nodal hub. We got Satyam and many major companies coming there. We have Nashik and Aurangabad. To give you figures, 25 percent of the top software companies are in Maharashtra, in one state. Similarly 25 percent of the country's exports are from Maharashtra. So it's a myth as people get to see one Bangalore. If I were to disperse Maharashtra or if I were to

convert what is available in Maharashtra we would be huge as compared to cities like Bangalore and Hyderabad. Why are companies finding things attractive out here? Why was the MIDC space in Nagpur sold out in five hours? It's because there is a large pool available and companies find it an attractive source. We do not want to rely too much on cyber cafes and BPOs. We want to provide high-end knowledge-based outsourcing. So when we talk of the IT industry in Maharashtra we are talking of the high end services like engineering design. We are talking about other financial services which are being outsourced to places like Pune. You look at the kind of companies, which are coming up here. Call centers are something which developed in Gurgaon and other areas.

Look at the auto sector. You get the best of people who work in the auto sector. In fact, the kind of work force which is available in the auto sector is one of the best in the world.

In fact I would quote figures from the planning department's study on Maharashtra. It says that factories in Maharashtra account for 37 percent more output and 51 percent more value addition than any other factory elsewhere. So with the same labour the value addition is 51 percent more. It's the work culture, it's the talent pool, it's the skills, which are available. Today, companies are looking at the global competition. And global competition comes with infrastructure, it comes with where you are located, it comes from the kind of people you are employing.

What is the state doing in the area of imparting cutting edge qualification to graduates to work in the knowledge sector?



Our universities are already working on that. Most of the companies are themselves taking people in and training them. I read somewhere recently that software companies are now planning not only to look at engineering graduates but also commerce and science graduates. These people will need training. I'll give you an example. We had a major British company JCB who manufactures heavy equipment. They were to set up a factory at Talegaon, where there is an ITI is located. When the construction of the JCB factory was on, we handed over the ITI to them for some time. They got in an instructor from the UK who spent two years out there training the boys from the ITI. By the time the factory got into actual commercial production, they also recruited trained staff.

IT has actually democratized so many things. It has brought all these sectors- ranging from financial services to manufacturing at together. What are the changes of Mumbai emerging as a world financial centre?

We are going ahead on this front. The Finance Minister has made a statement recently saying that Mumbai would be the financial services capital not only of the country but also the hub of the region. And when we say hub we are saying in the region between Tokyo and London, because of its geographical and time advantage. In fact if you get up early in Mumbai you can start accessing capital markets and equity markets in Australia and Japan. By the time it is night you are accessing markets in New York. So during the course of the day we are in touch with all the major equity markets so why should we not capitalize on that? So to that effect the government of India has given support and we are working with all the financial institutions to make Mumbai into a regional financial hub..

Agriculture has also been a strong focus of business. To stop the migration of people from



the rural areas it's important to develop the rural economy. What efforts is the government making on the agri-business front?

Firstly, the state has always gone in for products, which are into horticulture and floriculture. The best kind of flowers are grown in areas like Pune and Nashik. They are exported directly from here. The best varieties of pomegranates, grapes and oranges are grown in Maharashtra. The state is actively promoting the wine industry. We have set up an institute in Nashik. The state manufactures 90 percent of the wine produced in the country. All the top players are out here. So the value addition to the farmers comes in the form of these kind of products which have an international market. In addition to that fruits like oranges need to be processed for bringing in value addition. We are coming up with special economic zones for food processing industries. The proposals have been put before the centre. Wine is going to be made available off the shelf.

The Chief Minister has talked about the mega project policy?

The last policy, initiated in 2001 will end on 31st of March. First I'd like to say that we are coming up with an integrated policy on the 1st of April 2006. In the world economic scenario, India is becoming a very attractive destination. This is a very good time for all the states to project themselves. With Maharashtra being Number One in terms of infrastructure and investment, we should not become complacent. So we have decided to take that extra advantage. So the mega project policy has been





evolved to attract major investments in certain areas. The norms are based on investment and employment generation. We have based our criteria either on investment or on job creation and based on its location. Our policy has always been to disperse industries all over the state and move the load from Mumbai and Pune because we don't want the same infrastructure problems which is coming up in Bangalore and in Chennai. You have to go in for balanced regional development. We have evolved our policy on this basis and we are offering a customized packaging. We have two fast track committees one at the level of the Chief Minister and at the level of the Chief Secretary to clear the projects. We have received some very positive results. In June 2005 we came out with a policy and right up to the end of last month we almost have MOU's signed up to a billion dollars that is Rs 4,500 crores. And another billion dollars is under negotiation.

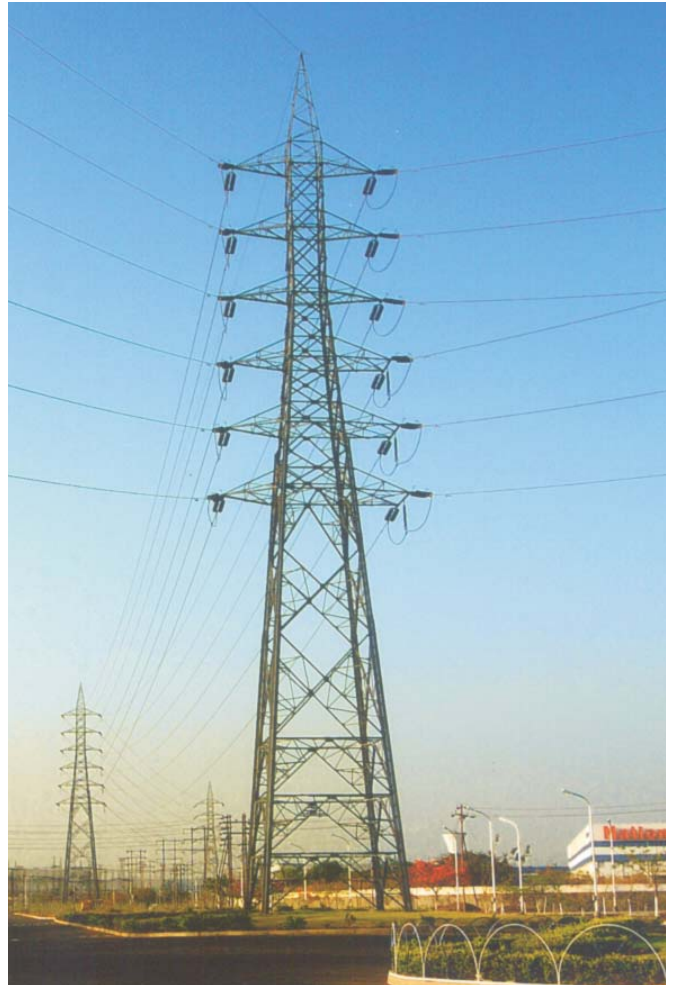
Coming to the constraints, power is one of the major constraints and a state like Maharashtra shouldn't be in such a delicate situation.

We do not deny it. We haven't covered up anything. We are being very straight. There has been a problem in the last 5-7 years. No fresh capacity has been added to the existing generation. Along with generation capacity, you have to add the transmission i.e. the range you are going to take electricity. Now there are historical reasons for that. The Dhabol project was a major set back. So wherever an industry is located in an MIDC area, except for the weekly power cut there is no load shedding. So the industry has not been starved of power. Short-term measures have been taken up on capitalizing on the captive power developed by private units. Group captive power is encouraged by MIDC. And in the long term, the state has entered into MOUs with major power producers. They have entered into agreements for generating more than 12,000 MW. The state has also increased its generation capacity. And with Dhabol coming back into production by 15th of May and full production by 31st of December, 2000 MW of extra power will be made available.

What about alternative sources of energy?

Already more than 500 MW of power is being produced from wind energy. We have a policy on alternate sources of energy. And a lot of incentives are being given. There are two or three sites where wind energy has been taken up. We are also giving incentives to energy being produced from cotton stalks and molasses and sugarcane stalks known as bagasse. .

Trade delegations from various countries keep visiting India, especially Mumbai. Has Maharashtra been taking advantage of them?



We have been doing very well on this front. Last year alone there were three premiers of three Australian States visiting Mumbai. There was the governor of Washington. We have been talking to these trade delegations, They have been meeting the Chief Minister and at the Premier level there have been active discussions. And we have entered into a lot of informal understandings. We had also proposed to enter into formal MOUs. The Ministry of External Affairs has a policy that says that states are not allowed to enter into such agreements. We have prevailed upon them saying that the whole world is becoming one and the issue has been raised at the Cabinet Secretary level. Not to leave at that, SICOM and KSIDC have entered into agreements with Korea to encourage trade delegations and promotion of business. With Quebec, a joint declaration was signed. We want that kind of association. There are other trade delegations coming. We want discussions to promote trade on a state-to-state basis.

Any Particular agenda for the George Bush visit?

The CM himself visited the US last June. He had led a very important delegation and I must say the response we got



from American companies has been tremendous. They have been looking extensively not only at India but Maharashtra in particular. We were surprised that small towns of Maharashtra were discussed by American companies.

The capital will move. The sectors we are looking at are IT, biotechnology. MIDC has a joint venture with a NRI group in New York. We have also been talking to some players in real estate. We are also talking to people in the entertainment sector. There are companies in Los Angeles and Hollywood who are looking at Bollywood. There are natural synergies in this area. These are the sectors we have been actively talking about. We have also been talking to a number of American companies in the IT and auto sectors. We should have a very fruitful relationship with them in the near future.

What about the gem and jewellery industry?

Bulk of the gem and jewellery exports are from Mumbai. And that market is very well established. There are very important synergies between us and Antwerp. They are located at SEEPZ, which has already been designated as a Special Economic Zone.

Do you have any strong message to send out to Investors outside India?

The message is that we have always

been Number One and we will strive to be Number One. The point is that we understand that any investor will come here if he gets the advantage to become globally competitive. This state will strive to give him that advantage. Not only in terms of the fiscal incentive, but also in terms of the infrastructure he requires, in terms of the talent pool he requires to make him globally competitive. To be located in Maharashtra, not only from the manufacturing point of view but also the huge market which is available.

Foreign Investment Institutions (FIIs) investing in stocks and shares on the Bombay Stock Exchange are also exposed to opportunities available in Mumbai and Maharashtra. Aren't they taking advantage of their exposure here?

The FIIs are basically looking at the stocks for investment. Whatever is there in the financial markets is available to them. If companies backed by FIIs want to set up business in Maharashtra we certainly extend all support. Fortunately we also have major industry associations such as CII, FICCI All India Industries Association, who are represented on our body also. We also have the trade offices of different countries. Whatever information they require, we are providing it. ■



Striving to Stay at the Top

Maharashtra occupies the pride of place in India's overall economic growth. The state having a very well-diversified industrial structure and trading activity, has positioned itself to reap a rich harvest in the areas of Information Technology (IT) and IT enabled Services (ITeS), biotechnology and surprisingly, in wine-manufacturing. Of course, the state has inherited the historical advantage of being in the forefront of industrial development. Mumbai being the country's busiest port, the state has also been the country's main hub of commerce. While the Reserve Bank of India (RBI) is located in Mumbai; the state's capital, initiates and monitors the country's monetary policies, while the Bombay Stock Exchange and the National Stock Exchange act as barometers of corporate health on a real-time basis. Between them, the BSE and NSE account for 98 percent of the country's equity market trading volume. Most large industrial and trading houses, banks and financial institutions have their



headquarters in Mumbai. No wonder, Mumbai, remains unchallenged in its status as the country's Commercial Capital.

Maharashtra with a population of more than a 100 million, is the biggest contributor to the national economy, its share being 13.2 per cent in the country's Gross Domestic Product (GDP). Maharashtra's two most outstanding contributions are in the areas of corporate and personal tax. The state contributes as much as 61 per cent to the country's corporate tax collections and 37 per cent to the country's personal income tax accruals. Maharashtra

also possesses a vast pool of skilled and professional manpower, a prerequisite economic development. The state's per capita Gross Industrial Output, at Rs 19,202, is more than double of all-India's average of Rs 8,965.

In July 2005, Mumbai was battered by an unprecedented rainfall, the highest in a century. It brought to the fore the glaring inadequacies in the city's infrastructure. A task force, headed by Chief Minister Vilasrao Deshmukh has been set up to give Mumbai a makeover, involving an expenditure of Rs 40,000 crore on infrastructure upgradation.

In an attempt to attract Foreign Direct Investment (FDI) for large industrial projects, the state government has initiated a



Mega Project Policy, which promises to cut the red tape and roll out a red carpet. In June 2005, Deshmukh visited the United States with a large delegation and elicited huge response from American companies. Real estate is one of the sectors that elicited much interest in the US. Three major US property developers - Tishman Speyer, Vornado Realty and Portman Holdings have - expressed their keenness to develop world-class properties in Maharashtra. Ken Silverman, a senior associate of Irell and Manella, a prominent law firm in the entertainment and media industries, is exploring the possibility of establishing a theme park in the state. His firm's clients include entertainment giants like Paramount, Universal, Disney and MGM.

The Knowledge Corridor

Maharashtra's main strength, of course, is Mumbai. With Bangalore, Chennai and Hyderabad snatching away foreign investment in Information Technology, the state government is making every effort to stay on top in IT services. The development of the Mumbai-Thane-Pune "Knowledge Corridor" is a priority on the state government's agenda. Taking advantage of the facilities available at numerable research institutions across Maharashtra, the state government is also keen on boosting R&D in biotechnology and encourage its commercial applications on a large scale. Hinjawadi, outside Pune has become a significant IT and biotechnology centre. Also making headway in frontline biotechnology are pharma majors Wockhardt, Cipla, Lupin and Nicholas Piramal.

A unique achievement of Maharashtra has been the development of vineyards and manufacturing of wine. Credit for this feat should go to the state's farming community, especially in the Nashik region for cultivating the vine orchards and growing grapes from which wine is manufactured. Today, Maharashtra accounts for most of the country's wine production. The wines made in Maharashtra are of global quality and have been approved even by French connoisseurs.

Pune, Nashik and Aurangabad have evolved into vibrant hubs for automobiles and auto components. The state now accounts for 38 per cent of India's automobile output by value. The Mumbai-Pune-Nashik triangle has grown into a major commercial hub. Food processing parks have been established at Butibori, near Nagpur, and Sangli, while floriculture centres have come up at Pune, Nashik and Nagpur, with a floriculture park coming up in Talegaon near Pune. Nagpur, the second state capital, is being developed into a cargo hub. To re-establish Maharashtra's stature in the textile industry, textile parks are being established at Butibori, Nardhana, near Dhule, and Ambernath. To enhance air connectivity, three international airports have been planned at Navi Mumbai, Pune and Nagpur, and the airfields at Kolhapur, Nashik, Jalgaon, Solapur and Latur will be developed into full-fledged commercial airports. Besides, 1,700 km of new roads will be constructed by 2015 on build, operate, own and transfer (BOOT) basis at an outlay of Rs 15,000 crore. On the power front, industrial demand for power will rise unabated, but the government hopes to bridge much of the existing shortfall by creating an additional 2,900 MW within the next one year. Of this, 2,150 MW will accrue from Dabhol alone, where the ex-Enron super-thermal power plant, now renamed Ratnagiri Gas and Power Pvt Ltd, will initially generate 500 MW by May and attain its full capacity of 2,150 MW by November 2006.

In the field of FDI, Maharashtra at \$13.5 billion is ahead of Tamil Nadu with \$6.6 billion, Gujarat with \$4.85 billion and Andhra Pradesh with \$3.85 billion. The state also leads in terms of domestic investment, with a 21 per cent of the country's share. Despite being ruled by a coalition government, Deshmukh believes, the state now enjoys immense political stability, an aspect seen as the most essential requirement for the growth of industry.





Maharashtra on the Move

FACT FILE

- Most highly urbanized State (42%), 2nd largest population 96.7 million • Foreign Direct Investment: US\$13 billion since '91 (17% of India's total) • Accounts for over 40 percent of India's overall exports • Over 1,000 Engineering & Technical Institutes • 169,000+ trained technical personnel each year • Mumbai-Thane-Pune region : Financial & Industrial capital of India • Highest mobile phone subscriber base in India • Maharashtra produces more than 1/5th of India's industrial output • Contributes 40% of Pharmaceutical industry turnover • 4,100 Pharma manufacturers out of 20,053 (21%) 30% of Indian patents • World-class R&D institutions: BARC, TIFR, NCL, NEERI,



- UDCT, IIT ... • 720 km coastline • Rich Biodiversity 1 state in terms of State Domestic Product. • No. 1 state in terms of domestic investments-20% of India's total investment. • Per Capita Income 50% higher than national average. • Gross industrial output per capita, twice the national average. • 15 % of India's software exports.

Human Resources

- Literacy: 77.3%, second highest in India. Nearly 1000 institutions add a vast pool of 170000 trained technical manpower each year. • Strong vocational training base. • Home to over 30% of India's IT professionals. • Disciplined labour force and peaceful industrial relations

Superior Infrastructure

- Air transport: Mumbai well connected to N. America, Europe & Far East • Domestic air connectivity from Pune, Aurangabad & Nagpur • Well-developed Telecom & high Bandwidth availability • Mumbai: landing point for undersea cables: FLAG, SEA-ME-WE 2 & 3 (SEA-ME-WE 4 to be commissioned) • Installed power generation capacity of over 15,000 MW • Assured water supply at all locations • Adequate Hotel & Convention facilities in all major cities • Mumbai-Pune well connected by road: journey < 3 hours

The Jawaharlal Nehru Port Trust (JNPT) • India's most modern, automated and productive port. The only 'Millionaire' port, over 1.3 million TEU's p.a. • Two container terminals operated by Nhava Sheva International Container Terminal (NSICT), a Joint Venture with P & O Nedlloyd. A third one soon to be commissioned • Envious record on all parameters like average turnaround time, average pre-berthing time, average idle time at berth.

Mumbai International Airport

- India's busiest passenger airport. • Also the largest for cargo, handles 35 % of India's total air freight. • Together with the seaports, handles 50% of India's foreign trade.

Mumbai-Pune Expressway

- A six-lane, dual carriage expressway brings the two most prosperous cities even closer. • Journey < 3 hours.



MIDC Engine of growth

Over the years, Maharashtra has emerged as the most prosperous and industrialized state in the Country. The State is the preferred investment destination for all industrial sectors from automobiles to chemicals, manufacturing, petrochemicals, pharmaceuticals, electronics, food processing, information technology, biotechnology and business process outsourcing.

- Over 250 industrial parks have been created in all parts of the State, to ensure orderly and distributed industrial growth and deliver prosperity across the State.

- MIDC has an enviable track record of building high quality infrastructure including roads, water supply & sewerage systems and modern, high-tech pollution handling mechanisms, including effluent treatment plants.

- MIDC's water supply system is particularly impressive, with its vast network of dams, pipeline networks and treatment plants.

- Treated, potable water is supplied to industrial units in MIDC industrial parks, many units outside as well as to urban and rural local governing bodies for further supply to domestic and commercial consumers.

World says

- "No. 1 State for doing business" - Business Today-Gallup poll
- "Best Investment Climate" - World Bank-CII
- "Most suited for BPO operations" - Gartner
- "Pune - ideal city for BPO operations" - A.T. Kearney

Some of the common criteria used for the surveys:

- Cost of doing business
- Quality of manpower
- Professional standards
- Infrastructure facilities
- Govt. policy & implementation
- Standard of living

Surveys were conducted at CxO levels across the world

Investors Say

- Business Today-Gallup survey 2003 of Indian States found that Maharashtra is the No.1 state for business, both in terms of investor perception and actual facts.

- A 2002 World Bank-CII study found Maharashtra has the best investment climate.

- A 2001 survey of India's top cities by Business Today. Gallup found Mumbai is No.1 city for business.

The Maharashtra Industrial Development Corporation (MIDC), since its inception in 1962, has played a stellar role in the Industrial Development of the state.

• Gartner evaluated 13 major Indian States (in 2002) in terms of their attractiveness as a destination for Business - Maharashtra [jointly with Delhi (NCR)], ranked No.1.

This leadership position has been possible due to its:

- Well-developed infrastructure
- Ports and air connectivity
- Abundant natural resources
- Quality educational system at all levels
- Abundant and skilled manpower
- Strong institutional presence
- Favourable industrial policy
- Consistent Government policies

Specialized Zones

Chemical Zones

- To meet the specialized needs of chemical units, MIDC has set up Chemical Zones, taking due care in their location and also providing common effluent treatment plants within the zones.

- Some such parks are located at Roha, Patalganga, Mahad, Taloja & Kurkumbh

Specialized Parks

In addition to the IT and Biotechnology sectors, MIDC has set up specialized parks for many sectors. Prominent among them are:

Wine Parks at Palus, near Sangli and Vinchur, near Nashik: These will have many common facilities including those for, training, R & D, testing, packaging and so on. There is also a plan to set up Wine Institutes in the vicinity to provide inputs & training to the units.

Floriculture Park at Talegaon. The climatic conditions of this area make it a potential global hub. The park will have a presence of nurseries, growers and post harvest -companies to meet international quality standards.

Silver Zone at Kagal Hatkanangale. A unique concept to encourage the skilled artisans of the region and promote the industry. The park offers work-cum-residence modules to accommodate the special needs of this sector.

Textile Zones at Butibori, near Nagpur and Ambarnath,





close to Mumbai, offer an ideal environment for producers of readymade garments. Ambarnath also has a special zone for producers of leather garments.

Other industrial Parks

Ranjangaon Industrial Park

A thriving industrial park where many of the world's biggest corporates are located. Total park area over 925 hectares.

Location and Access

- 55 km from Pune on the Pune-Ahmednagar State Highway No. 50.
- New 4-lane road provides speedy access from Pune.
- Helipad in the park premises, for quick access.

Infrastructure

- **Power-** Independent 220 / 22 KV substation in the park. One transformer of 220 / 132 KV with 100 MVA capacity and another 220 / 22 KV transformer with 50 MVA capacity available. Power supply on 132 KV & 22 KV levels is available.
- **Water-** MIDC's own water supply system supplies treated potable water. Current capacity 13.8 MLD, upgradeable to 27.6 MLD.
- **Telecom-** BSNL Electronic Exchange in the park with Optic Fiber link and ISDN.
- Common Effluent Treatment Plant (CETP) with capacity of 11.5 MLD.
- Storm Water Collection System over 56190 running metres.
- Effluent Collection System over 37424 running metres.

Land Prices: Rs.450 per sq. mtr. for industrial plots

Chakan Industrial Park

Chakan is among India's premier industrial areas, located close to Pune and to the Pimpri-Chinchwad-Bhosari industrial areas, one of India's largest and most prosperous industrial regions.

290 hectares implemented in phase I and 200 hectares taken up in phase II.

Talegaon Industrial /Floriculture Park

The Talegaon Park is MIDC's most recent offering in the Pune region. The park is strategically located in scenic surroundings along the banks of the Indrayani river.

The total land area is 585 hectares of which about 250 hectares are devoted for a floriculture park and the balance for non-polluting and environment friendly industrial units.

IT & BPO Industry - The Knowledge Sector

- Software & Services exports: over US \$1.5bn (15% of India's total) in 2002-03
- Over 1000 Software & BPO units
- Home to over 30% of IT Professionals in India
- 10 of the

Top 20 Indian Software companies have units in the State

- Availability of wide range of technical & domain skills at all levels
- Large pool of Engineers and Software professionals
- Strong technical education base: IIT-B. C-DAC. others...

IT Parks

Mumbai

Public

- Millenium Business Park, Navi Mumbai (MIDC)
- Samruddhi Venture Park, Andheri East (MIDC)
- Airoli Knowledge Park, Navi Mumbai (MIDC)
- International Infotech Park, Navi Mumbai (CIDCO)
- International Technology Centre, Navi Mumbai (CIDCO)

Private

- Akruti Software Park, Andheri (E)
- Hiranandani Parks at Powai & Thane
- Infinity, Goregaon (E)
- Interface, Malad (W)
- Mindspace, Malad (W)
- Raheja Plaza, Ghatkopar (W)
- Technopolis Park, Andheri (E)

Pune

Public (MIDC)

- Pune Infotech Park - Ph. I & III,
- Hinjawadi
- Kharadi Knowledge Park
- Talawade Software Park

Private

- Magarpatta Cybercity
- Ozone Park

MIDC Parks in other cities...

- Nagpur
- Aurangabad
- Nasik
- Ahmednagar
- Kolhapur
- Solapur
- Latur
- Sangli
- Satara
- Amravati

Features of IT Parks

- Almost 1,000 acres of land developed for various IT Parks
- 5 mil+ sq. ft. built-up area commissioned; over 2.7 mil sq. ft. available
- Cost-effective land for custom built facilities
- OFC laid to all IT Parks
- Multiple Internet & Telecom Service Providers
- STPI Earth Stations at several IT Parks
- Stable & preferential power supply
- Adequate transport & other support facilities
- Attractive incentives for IT and BPO units located in IT Parks

Some other key





industrial hubs

Nagpur

At the very center of the country, the city offers excellent connectivity to all parts of the country by rail, road and air. The "City of Oranges" also has prosperous MIDC industrial areas. Hingna, the older one is well known. The newer industrial area of Butibori is among India's top industrial parks and one of MIDC's most prestigious projects in recent times.

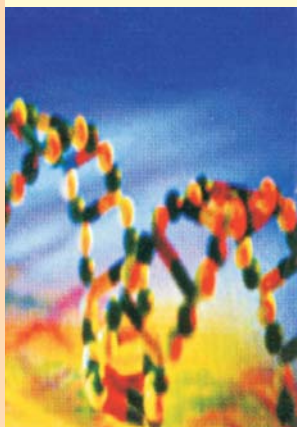
Aurangabad

This region is a preferred investment destination. The highly successful MIDC industrial parks at Chikalthana and Waluj are testimony. To meet the growing needs of industry, MIDC is setting up a state-of-the-art park at Shendre, nearby.

Nashik

MIDC is constantly creating new opportunities for industrial investors here. Ambad, Satpur and even the more recent Sinnar industrial parks are almost fully occupied. Hence the vast Additional Sinnar park is now being created.

Biotech: The Most Promising Sector



Mission

To lead the Biotechnology industry in the State to a growth path, from where it can become globally competitive.

- Providing adequate infrastructure especially in the form of Biotech Parks
- Providing the appropriate policy framework, which will smoothen its growth path
- Providing appropriate package of incentives.

Strategic Initiatives

Institutional Mechanisms

- Maharashtra Biotechnology Board - under chairmanship of Hon'ble CM
- Maharashtra Biotechnology Commission - under the chairmanship of Dr R.A. Mashelkar, DG, CSIR.
- Think Tank & key Advisor to the Board.
- Prepare detailed action plan for achieving the objectives.
- Action Plan for collaboration of the Public Health Machinery of the State and Biotech companies.
- Approve the proposals for financial grants from the BT Fund.

The International Biotech Park at Hinjawadi. Pune (A Life Science Park)

- Spread over 136 acres of land and promoted as the 'IT-BT' destination of Maharashtra.
- Developing through Joint Venture route with TCG Urban Infrastructure Holding Ltd. as a JV Partner.
- Located on the Mumbai - Pune highway

corridor, 5 Km from Pune.

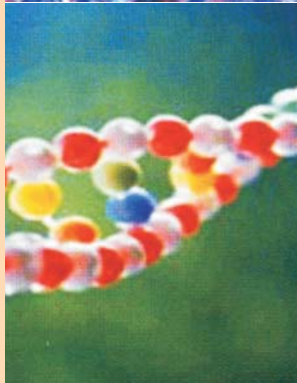
- The Park proposes to have a 'Core-shared facility' on one end and 'Anchor tenant' on the other.
- The Park proposes strategic alliances with other healthcare facilities for providing clinical trials.
- The Park offers plots to build research centers and pilot plants as per specific requirements of the tenants.
- Major clients: Emcure Pharmaceuticals Ltd., Emcure Biotech Ltd., Shreya Biotech Ltd., Venkateshwara Hatcheries Ltd. etc.

Park Infrastructure

- Specialised Biotech Facilities
- Specialized office space
- Common Utilities/Core-Shared Facilities
- Business Facilitation Centre (BFC)
- Incubation Centre
- Common Amenities Block
- Developed Land

Agri Biotechnology Park at Jalna

- Spread over 100 acres of land.
- The park will be located in Jalna, the seed capital of India
- It is close to Aurangabad, one of the prominent & well developed cities in the State
- This park will be declared as a Industrial Township
- The major thrust area of the park will be Gene discovery, Bioremediation, Fermentation Technology, Post Harvest Technology, Bioinformatics & Diagnostics
- MoU has been signed with MAHYCO Research Foundation (MRF) to design & conceptualise the Park
- MRF to develop its research facility within the Park
- Major clients: Mahyco Research Foundation, Krishidhan Seeds Ltd., Mahodaya Hybrid Seeds Pvt. Ltd., etc.





Madhya Pradesh

Focus on
Agriculture
Infrastructure
Food Processing
Logistics





Fiscal discipline boosts M.P's image & credibility



Madhya Pradesh (M.P) is upbeat about its position within the country. The reasons are manifold. First, the state has a new and youthful Chief Minister in **Shivraj Singh Chauhan**, who is committed to implementing the promises made. Fiscal discipline is a major measure, followed by a host of others, including the development of infrastructure. The list is long.

Besides fiscal discipline, efficient fiscal management and austerity measures adopted by the state government during the last two years, have resulted in positive changes in the finances of the state. The credibility of the state in the financial market has shown unprecedented improvement, reflected in the over subscription of the development bonds floated by the government.

The state government is sincere in delivering on promises made. A special thrust and a sense of urgency is noticeable within government departments. To begin with, a special review cell has been created under the general administration department for this purpose and all concerned ministers have to constantly review progress.

The government has undertaken many fiscal reform initiatives during the year 2004-05. Some measures are of a macro economic nature and some are micro economic, relating to procedures and processes. The present government has made efforts to bring the revenue deficit down to Rs. 4,009 crore during the year 2004-05. The financial improvement has enhanced the state's image in the country.

The state government has also reversed the trend of spending borrowings on day-to-day expenditure. Today, a large part of the borrowings is spent on capital works. This will ensure that there is a return on the capital expenditure, which can be used to repay interest and the principal in the future.

Due to greater emphasis laid on the development of

infrastructure by the present government, the capital outlay has gone up to Rs. 4951 crore in 2004-05 and is expected to cross Rs. 5000 crore this year.

The state government has also taken effective steps to curb tax evasion and to improve tax recovery, which resulted in an increase of 19 percent in revenue collections this year in comparison to the previous year.

An unprecedented increase in tax and non-tax revenue collection has also been registered by March 2005. An increase of 9.80 percent has been registered in excise revenue, 18.89 percent from commercial taxes, 12.55 percent from forest and 13.65 percent from mining. Under the small saving schemes 13.86 percent more amount has been collected during the financial year 2004-05 in comparison to the previous financial year.

Similarly, an increase of 28.35 percent has been registered in the revenue collected from stamp and registration.

As a result of the improved financial management, the state government did not have to resort to over-draft even for a single day in the last financial year as against 47 days of over-draft in the previous year. It is after a long period of 16 years that the state government did not have to resort to over-draft even for a single day. This year so far the state has not even resorted to ways and means advances (WMA). The state development loans have been oversubscribed by 35 percent. The state government has swapped high cost debt of Rs.



1227 crore with low cost debt resulting in savings of Rs. 56 crore. The state government has also taken liabilities of Rs. 3,000 crore of MPEB, which also improved the image of Madhya Pradesh among financial institutions.

A provision of Rs. 250 crore has been made for restructuring of public sector undertakings and discharge of liabilities. The Fiscal Responsibility and Budget Management Act has been passed by the state assembly, which would help transparency and fiscal stability. A guarantee redemption fund is being set up to set aside resources for loans guaranteed by the state government. A cyber treasury would also be set up in the state in the next financial year.

Amongst the administrative streamlining are quite a few steps. For example, a new rationalized excise policy has been formulated and overall state excise revenue has increased. A new dispensation has been put in place to provide copies of five-year khasra to farmers within 10 days of submitting application. Arrangements have been made for demarcation of land within one month after due payment of the land demarcation fee, a step in the right direction considering the time involved with this activity previously.

The government would like to encourage cultivation and marketing of medicinal plants and the processing of medicinal herbs will soon start at Sehore, Seoni, Satna, Chhindwara, Katni and Shahdol. Process is on for the establishment of small godown-cum-processing centres at Chhatarpur, Sidhi, Satna, Jabalpur and Dindori for collection, processing and sale of non-nationalized minor forest produce. A five-year strategy is in place to boost cultivation of medicinal and aromatic plants.

A Deen Dayal Self-employment Scheme has been introduced from August 2004 for educated unemployed youth from all sections. Under the scheme, a maximum amount of Rs. 50,000 is given to the beneficiary as margin



money to obtain bank loan for self-employment. A margin money of Rs. 5.22 lakh has been deposited for loans in the last financial year for unemployed scheduled caste youth under the Rani Durgavati Self Employment scheme.

A Madhya Pradesh Trade and Investment Facilitation Corporation has been set up to facilitate industrial investment by major industrial groups and NRIs.

A special concession package has been announced to encourage food processing and herbal medicine industries. Electricity bills of farmers having irrigation pumps of 3 to 5 horsepower from January 1, 2001 to December 31, 2005 has been waived. Minimum charge on metered irrigation pumps is not billed. Following the principle of "billing only the actual consumption", it has been decided to carry out cent percent metering and so far, 48 lakh meters have been installed.

Arrangements are in place now for procurement on support price of crops immediately after harvesting. And a comprehensive strategy has been implemented to encourage formulas for preparing bio-fertilizers and bio-pesticides. Arrangements have been made for training farmers in application of modern techniques of cultivation of fruits, medicinal and aromatic plants and flowers.

Directives have been issued to municipal corporations, municipalities and nagar panchayats to ensure construction of rainwater harvesting structures in the new housing schemes in urban areas. A Simhastha Mela authority has been constituted in order to expedite disposal of pending court cases and 361 posts of civil judges created. All vacant posts from civil judge to district judge have been filled up in the lower courts. A recommendation is forwarded to the central government for filling up vacancies of judges in the high court.

Since roads are an integral part of infrastructure, the





emphasis of the government is for widening and strengthening the road network. Madhya Pradesh has 72,000 km length of roads including 4600 km of national highways, 8300 km of state highways, 10,800 km of major district roads and 48,600 km of rural roads. Most of these roads were in devastating shape and thus the state government has given priority to improvement of roads in the state. A total length of 12,000 km roads has been constructed in the last two years.

A provision of about Rs. 2000 crore has been put in place for the construction of roads. Madhya Pradesh Road Development Corporation has been set up on 14th July 2004 to carry out work with private capital investments. The corporation has been given the status of a state highway authority and all the 29 state highways with a length of 8099 km are under the Corporation. The length of important district and other roads is 11,114 within the state.

In keeping with the promises made, adequate power supply has been ensured to farmers and there are no power cuts in the state. The consistent efforts by the state government, the recovery of electricity bills has increased by 25 percent in comparison to the previous year. Other measures have been taken to improve the condition of Madhya Pradesh State Electricity Board and separate companies have come into existence for generation, distribution and transmission of power.

The state government will generate 2,100 mw additional power to meet the gap between demand and supply and will become self-reliant in the power sector by 2008. The power plants, which are going to be completed within the next three years, include the 520 mw - Onkareshwar Hydel Power Project (by Dec, 07) and 500 mw - Birsingpur Thermal Power Project (by Dec, 06).

Negotiations with the private sector are on for investments in power generation. The projects to be covered under it include the 400 mw Maheshwar Hydel Power Project, coal based 2000 mw Mahan Thermal Power Project (Essar), 360 mw gas-based Aban Thermal Power Project (Jhabua), and the 430 mw gas based Guna Thermal Power Project (STI Power).

In the distribution sector 2641 km of 33 & 11 kv lines, 130 power transformers, 19 EHV sub-stations have been set up during 2004-05 & 2005-06.

A historic memorandum of understanding has been signed between the Central Government and the state governments of Madhya Pradesh and Uttar Pradesh, for the country's first river linking project to interlink Ken and Betwa rivers.

Madhya Pradesh and Rajasthan have agreed on a project for inter-linking Parvati, Newaj and Kalisindh rivers with the Chambal. On completion of the project, utilization of the

entire water of the Chambal basin in both states would be a reality. At present only one-fourth water is utilized and the master plan for the project is underway.

An action plan has been implemented to create a better climate for capital investment, augmenting employment opportunities, removing industrial sickness and increasing economic growth rate. The policy has been implemented for a period of five years from April 1, 2005. Under the policy measures have been taken to develop M.P as an industry-friendly State.

Under the industrial promotion policy, Madhya Pradesh Trade Investment Facilitation Corporation Limited (TRIFAC) has been set to enable prompt disposal of proposals for an investment of over Rs. 3.0 crore. Besides, an industrial advisory council headed by the Chief Minister has been constituted and a high level empowered committee has been formed under it for single window clearance. The committee would take decisions in cases of establishment of mega projects involving capital investment of over Rs 25 crore. Besides, a textile advisory committee and a pharmaceutical advisory committee have also been formed. The high level committee has cleared ten proposals of over Rs. 22 crore so far.

Separate clusters are being developed keeping in view the resources of different areas. A Rs. 70 crore auto cluster is being set up at Pithampur (Indore), another Rs. 1800 crore auto testing track will also be set up there. A Rs. 67 crore engineering cluster is being developed in Bhopal and a pharmaceutical cluster is being set up at Pithampur. All these are likely to put Madhya Pradesh as a world class destination for investors both from India and abroad in the auto component industry.

An industrial infrastructure development fund has been set up to remove the financial difficulties in the development of industrial infrastructure. An information technology park is also being set up at Indore. Preliminary preparations have been made for establishment of a gem and jewellery Park at Indore for making ornaments, cutting, polishing, designing and marketing of precious stones at Indore. A stone park is being set up at Katni.

Infrastructure conforming to international standards is being developed on about 2500 acre in the country's first ever-Special Economic Zone in Indore with the status of a foreign territory. The state government has cleared the docks for establishment of the 60 lakh tonne per annum capacity, Rs. 9,000 crore Bharat Oman Petroleum Refinery, at Bina. After the Oman Refinery and the Bharat Petroleum Company presented their stands, the Madhya Pradesh government granted heavy concessions to facilitate its early establishment. ■



As Project Investment spurts...

M.P's GDP Poised to Double by 2010

INVESTMENT SCENARIO - HIGHLIGHTS

Madhya Pradesh ranks 5th among all states in the country in terms of 100 percent EOU with an investment of \$ 2.0 billion between 1991 and 2003.

MP ranks 3rd among all states in terms of project under execution. As per Tata Statistical Outline, projects worth \$ 13.0 billion are under execution at present. The project implementation ratio is 71.4 per cent in MP as against the national ratio of 38.1 percent.

This indicates the effectiveness and quality of governance in the state.

The gross output to investment ratio in MP is the 2nd highest in the country.

After the execution and completion of the current projects the GDP of the state is likely to double by the year 2009-2010.

The major sector-wise project proposals under execution/consideration are:

Project Proposal Industry	\$ Billion
Textile	0.348
Pharmaceutical	0.116
Cement/Minerals	0.348
Petro Chemicals	2.09
Auto/ Auto Components	0.534
Auto cluster/Auto Track/Engineering	
Food Processing	0.222
SEZ	0.186
Infrastructure	
Roads	0.465
Power	6.00
Integrated pench river Project	0.80
Service Sector	0.232
Total	11.34
Say \$ 11.5 Billion	

Future Investment Scenario:

Because of its natural resources, logistics (centrally located), adequate industrial power, knowledge based cheap manpower, water resources and cheap land, Madhya Pradesh offers a distinct advantage to the prospective investors.

Natural Resources Advantage

Mines & Minerals: The states mineral deposits ranks 4th among all states in the country. The State Mining Corporation has entered into joint ventures with private corporations for harnessing mining potential of the state.

Water: Adequate surface and ground water exists for industrialization. About 30 percent of Agriculture Land is under irrigation.

Cheap Land for Industrial use: Land is available in industrial growth Centres and the Special Export Zone (SEZ) at rates ranging from 30 cents/sqft to \$10/sqft, which is a fraction of the cost as compared to developed states and metros.

Other Advantages:

Power: There are no power cuts on the industrial feeders. The state shall be a power surplus state by the year 2008-2009.

The present total available capacity is 6195 MW. Some of the facts are as under:

Installed capacity thermal	2147 MW
Installed Hydel Capacity	843 MW
Joint venture Hydel Capacity (Narmada Hydel Plants)	1370 MW
Central share of power	1836 MW
Total	6195 MW

During next five years additional capacity amounting to 5326 MW shall be installed with an approximate expenditure of \$6 billion.

Industrial Harmony No. of Workers Involved in Lockouts		
State	Year 2000-2001	Year 2001-2002
Andhra Pradesh	217888	63644
Assam	0	912
Delhi	730	176
Gujrat	3952	1231
Harayana	1400	0
Himachal Pradesh	190	0
Karnataka	2687	4552
Kerla	6944	2600
Madhya Pradesh	0	0
Maharashtra	3638	1725
Orissa	3687	187
Punjab	1053	3125
Rajasthan	8295	5590
Tamil Nadu	13432	14565
Uttar Pradesh	9096	2397
West Bengal	99594	98028
India	374062	199182

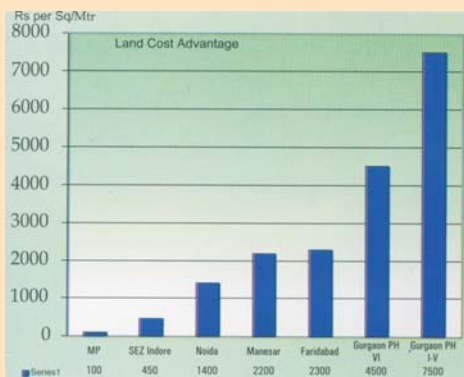
The cess for captive power generation has recently been reduced from 20 paise per unit to 10 paise per unit.

Labour: Many of the labour laws under the purview of state government have been amended as per the New Industrial Promotion Policy - 2004 & have been made industry friendly. Peace and harmony exists in Labour Relations and some of the



leading multinationals like Procter & Gamble, VA TECH HYDRO & Bridgestone are not unionized. No lockouts have been reported between the year 2000-2003.

Adequate knowledge based skilled manpower is available.



Logistics: Since MP is centrally located it is fast becoming a logistic hub for F M C G companies like P & G and Hindustan Lever resulting in considerable saving on transport. Three

internal container depots (ICD's) have been established namely at Indore (Pithampur), Bhopal (Mandideep) & Gwalior (Malanpur). Nearly 425 trains per day pass through Madhya Pradesh. 1800 kms of state high way are being upgraded through Build, Operate & Transfer (BOT). Bhopal has ISRO'S Master Control facility & most of the country's cyber Connectivity linking Metros & cities like Ahmedabad, Bangalore & Hyderabad pass through Madhya Pradesh. Bhopal and Indore are well connected with Delhi and Mumbai by air.

Advantage of Industrial Promotion Policy 2004:

- Special Package for Mega Projects basis by Apex Level Investment Promotion Empowered committee headed by Chief Minister.
- Industrial Investment Promotion Assistance-50% to 75% of commercial tax for 3 to 10 years.
- Concessional Registration Charges & Stamp Duty Exemption for Term Loans documentation.
- Interest Subsidy on Term Loan 3 to 5 percent for 5 to 7 years.
- For Thrust Sector Industries 25 per cent Capital Subsidy. Maximum Rs. 25 Lakh
- Land on 75 percent concessive rate for Mega projects. Max 20 acres.
- Entry Tax exemption for 5 years.
- 5 Years Electricity Duty Exemption on Captive Power generation.
- 15 percent Capital subsidy to SSI up to Rs 15 Lakh in backward areas.
- Special Packages for textile, food processing, medicinal & herbal and automobile component industries.
- Infrastructure grant upto Rs. 1.0 crore for developing private sector industrial parks.
- Partial reimbursement of project report, ISO certification,

Patent and Technology Purchase Cost.

- Life Style Advantage: Leading a metro life style at 50-60 percent of the metro cost and hassle-free traffic reducing daily travel time to only about 30-40 minutes.

Specialised Infrastructure at select location

- Industrial Infrastructure Development Fund
- Apparel Parks - SEZ, Indore, Jabalpur
- Food Parks & Agri Export Zones • Stone Park - Katni
- Specialized infrastructure • Industrial Clusters
- Auto Track • Crystal IT Park - Indore

Agro

Incredible Biodiversity - As much as 75 percent of country's SOYABEAN production (4.7mt)...40 percent of GRAMS grown in MP.

Spices: GARLIC, CORIANDER, CHILLI. Commercial grade POTATO & WHEAT. Rare MEDICINAL plants.

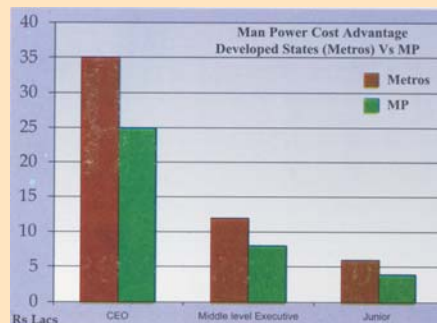
Social forestry

Madhya Pradesh has an ambitious plan of utilizing at-least 1 million hectares of wasteland for plantation of paper pulp & energy trees with clonal varieties in next 5-7 years.

This will open an opportunity for producing \$1.5 billion to \$2 billion worth of commercial paper in the state.

Knowledge Pool

- 18,000 technical, 230,000 graduates entering workforce annually.



- India's 6th Indian Institute of Management (IIM) at Indore

- Indian Institute of Information Technology (IIIT) at Gwalior.

- National

Institute of Technology at Bhopal.

Tourism

Development, Conservation, Restoration, Infrastructure Development of Buddhist Sites & Buddhist Circuit in Madhya Pradesh: • Sanchi • Sathdhara • Sonari • Murulkhurd • Andher

Construction of Helipads/Airports for connecting Buddhist Tourists Sites to other important tourism locations such as Khajuraho, Mandu, Pachmari. National Parks such as Kanha, Bandhavgarh and Pench.



Indore's SEZ on the Speed Track Enjoying the Best of Both Worlds

Raghav Chandra, MD, MPSIDC



The Special Economic Zone at Indore, the industrial and commercial capital of Madhya Pradesh, is a huge sprawling complex measuring 2,500 acres of well-developed land. It has been laid out with most modern infrastructure facilities very next to the Pithampur/Kheda Industrial Growth Centre Complex, which is often referred to as the Detroit of India. Thus the SEZ enjoys the best of both worlds.

The SEZ promoted by Madhya Pradesh State Industrial Development Corporation (MPSIDC), is a specialized State Government Corporation dedicated for the development of Industrial Areas and Infrastructure facilities in M.P. The SEZ has been developed through MPSIDC's subsidiary company, MPAKVN.

Indore provides the entire social infrastructure, civic facilities and other benefits to the growing industry. Central connectivity of Indore to all major parts of the country is also a boon to the industries. Indore SEZ has emerged as the first Greenfield SEZ to become fully operational.

A fully operational Inland Container Depot managed by Container Corporation of India (CONCOR) is spread over 6.57 ha. within the SEZ. It is a well-developed dry port and is connected by rail and road transport through Indore to major destinations in India. A SPV in the name of SEZ Indore Limited has been incorporated. Govt. of M.P., MPAKVN and MPSIDC

are presently the promoters of this Company.

The State Government has also passed the Indore Special Economic Zone (Special Provisions) Act, 2003 to provide various concessions to the units & developers at SEZ as per the commitment under the SEZ Policy of Government of India. Salient features of the Act include special M.P. Government facilitation and relaxation in labour laws.

A full time Joint Development Commissioner and other subordinate staff have already been posted at SEZ, Indore, and the Development Commissioner's office is fully functional. Similarly, regular Custom Staff has also been posted to provide benefits under the Exim Policy to the units.

To ensure quality and cheap power, the Union Ministry of Power has allocated 25 MW of power for the SEZ. This will be directly provided by NTPC to SEZ and will be wheeled through the MPSEB/PUCIL network. Necessary provisions have been made in this regard in the State SEZ Act. The sub-station is already constructed and the Power Purchase Agreement has been signed with NTPC. Because of this arrangement, SEZ expects to provide power at a cheaper rate.

Three banks - State Bank of India, Bank of India and Punjab National Bank - have applied for setting up offshore banking units at SEZ. Bank of India has also created a SEZ cell for providing finance to the prospective units of SEZ in the form of foreign currency loans. Efforts are being made to expedite the development of external infrastructure to boost the SEZ. Four Laning of National Highway between Indore and Mumbai (Indore-Khalghat section has been approved and taken on high priority by the Central government). Indore Airport is planned to be expanded and a cargo hub to be set up; Railway link for SEZ to be developed; availability of Natural Gas (The Minister Petroleum, has declared that availability of Natural Gas for Pithampur SEZ will be ensured. To provide a hassle-free atmosphere, the Labour Laws have been substantially made industry friendly and given legal





backing. Some of the key activities likely at SEZ are soya and agro processing, textile and apparels, technical textiles, metallurgical processing, automobile and ancillary (specially component manufacturing), pharmaceuticals, Information Technology and electronic hardware, bio-tech, gems and jewellery, trading and logistics and power generation.

The central government has recently sanctioned an Apparel Park at the SEZ. This park will be spread over 140 acres of land already in possession. This will be developed at a project cost of Rs. 30.00 crores. Planned efforts are being taken for the induction of a strategic partner to develop the SEZ in the private sector. Tata Economic Consultancy Services (TECS) have completed preliminary action and seven interested parties have been shortlisted. The finalization process is in an advanced stage.

The first phase of the SEZ Indore is already operational. MOU have been executed with 31 units and specific areas have been allotted to 17 units. Out of these, five units have started construction. Four units, namely SRF Ltd, Flexituff International Ltd, Emerald Tobacco Ltd and Amulya Exports Ltd have begun commercial production. Further, new investments are expected to be mobilized, worth about Rs. 1400 crores.

Several pharmaceutical companies namely Ipca Laboratories Ltd, Cipla Ltd, Wockhardt and Nicholas Laboratories have shown their keen interest to set up their units in SEZ. As much as 52 acres of land to Ipca Labs and 20 acres to Nicholas Labs have been allotted for their drug formulation and life saving drugs projects with investment of Rs. 200 crores and Rs. 120 crores respectively. Similarly several textile companies like Pratibha Syntex are taking space in the SEZ. It is expected that the SEZ would finally bring in several billion dollars of investment, and provide employment to over two lakh people by the time of its full development/evolution over the next five years. ■



A Blueprint of Success

A new philosophy is now the driving force behind development in Madhya Pradesh.

The people of Madhya Pradesh are now partners in the process of strengthening the infrastructure.

Construction of 40,000 kilometres of roads, becoming self-reliant in power generation by 2008 and creating an irrigation capacity of 8 lakh hectares – everything shows the commitment of the new governance.



Tomorrow Belongs to Madhya Pradesh

DPR/Madhyam/2005

Food Business -

The Best Bet for economic growth

By:Pratap Verma



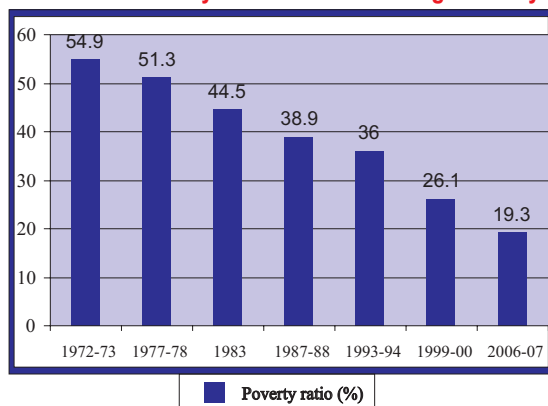
Parameters for Rural Marketing in Madhya Pradesh

The foundation of any marketing scheme depends upon the customer's values and decisions on the distribution of their disposable incomes.

Therefore it is obvious that unless the purchasing power of the farmer and other rural segments are enhanced, the limitations on rural marketing shall continue. In Madhya Pradesh agriculture's contribution to the state GDP is 24 percent and around 78 percent of the state population is dependent on agricultural production. At present those below poverty line (having income of less than \$1 a day) is about 40 percent. This figure can be further brought down sufficiently if M.P catches up with the national 8.0 percent annual GDP growth, envisaged in the coming years.

A study conducted by the Federation of Indian Chambers of Commerce and Industry shows the impact of 8.0 GDP growth per annum on poverty at the national level.

Chart -A Poverty level has declined significantly



The chart B shows the GDP growth of some of the states. The main reasons for high growth states are their commitment to reforms. In these states vision drivers and policies are implemented with right strategies and speed. For example, Gujarat has achieved an agriculture GDP growth rate of

11.2 percent consistently for the last 10 years (in spite of seven draught years) against the national agriculture GDP growth of less than 3.0 percent. According to Narendra Modi, the Gujarat CM, it was made possible through commitment to "water management" in Gujarat. Nearly

Chart -B Growth Disparities in the states: 1992-2002 (Average Annual Growth)

> 7%	Gujarat, Goa, Tripura
6-7 %	Delhi, Maharashtra, Sikkim, Karnataka, Tamil Nadu, West Bengal, Himachal, Kerala
5-6%	Nagaland, Rajasthan, Madhya Pradesh, Kashmir, Andhra
4-5%	Arunachal, Haryana, Punjab, Uttar Pradesh
2-4%	Orissa, Bihar, Assam

137,000 stop dams have been built in the last three years,

Narmada has been interlinked to the Sabarmati river and Gujarat has plans to connect 18 more rivers to Narmada within the next five years. The Sardar Sarover dam has enabled Gujarat to provide 24-hour, three-phase supply to 100 percent of the rural areas (partly because of less energy requirement due to canal irrigation). A 1,400-km drinking pipeline grid serves large number of villages and a 2,900-km gas grid has allowed industries to be located in rural surroundings. Gujarat even has a private rail line. These initiatives on rural infrastructure in Gujarat have empowered the rural community to leapfrog economically. A single master return for 21 industrial regulations has been allowed with self-certification to obviate the erstwhile "inspector raj".

Coming to Madhya Pradesh, for its GDP growth to touch 10 percent per annum would require a macro view of the overall economy. However, let us restrict ourselves at present to the areas concerning the rural economy, which is a facilitator for rural marketing. Some of the key drivers and challenges include, making an average land holding of 2.5 hectares as a sustainable model for maximum value creation. The state should identify best practices of other states and make



sustainable business model to replicate their success.

The government should identify and prioritize issues in the existing agribusiness chain namely, infrastructure, raw materials, post harvest practices, marketing arrangements and institutional set-ups for lending. It should also benchmark M.P's competitiveness in agriculture, against leading Indian producing states, evaluate various schemes and initiatives of the government. Another area where the state should concentrate is for developing of a food processing policy for the state, it should simultaneously identify investment opportunities in the processing sector including the six food parks. And most important it should showcase the state's agribusiness potential in the domestic and international market for attracting investments into this sector. Meanwhile an attempt should be made to propagate M.P as an organic food state.

Some of the successful marketing business models of M.P state are worth mentioning. For example, the e-Chaupal of ITC, has empowered M.P farmers to sell their products at competitive prices without hassles. The e-Chaupal model also provides for a rural mall wherein the rural targeted goods get sold with modern marketing set ups.

An entrepreneur near Sehore has opened up a "modern weekend resort" with a multiplex facility in Sehore town. This venture has focused on "Bhopal Tourists". Some lessons, which could be from these two business models, include the fact that they are based on modern technologies and business is propelled by excellent road connections to a large city. In both cases the local communities are directly benefited.

The models also ensure that modern FMCG goods are affordable to the rural community through small packages while cutting on economic and logistic chains. They also give multiple options for purchase and help select a champion amongst the community. For example, Eveready Batteries focused on village teacher and the village headman or Patwari for increasing sales.

(The author is an Industrial & Investment Advisor, Madhya Pradesh State Industrial Development Corporation)



It's Pulsating with New Hopes

Today in Madhya Pradesh development has acquired new dimensions.

It is not just construction of roads and buildings but it is paving the way for a life of fulfilment for all.

It is a governance that believes in a corruption free administration. It believes in ensuring equality of opportunity for all, decentralization of power and establishing the rule of law.



It's a governance that creates an ambience where everybody has an opportunity to dream and to work towards achieving it.



Tomorrow Belongs to
Madhya Pradesh



DPR/Madhyam/2005

Connectivity & Cost Reduction on Transport

Bhopal A City of Advantages

Why Bhopal?

Bhopal has made a rapid progress in industrial growth in recent years. Perhaps the most strategically located town in the country, Bhopal forms the bridgehead to every part of India. The strategic rail, road and air connectivity not only helps in accessing markets, it also ensures a saving in terms of time and money. Here, Proctor and Gamble claims to have saved approx. Rs. 70 crore a year by creating its warehouse in Bhopal. Eicher (Tractor division) also followed suit. Bhopal is a virtual haven for logistic operations with easy availability of skilled workers.

The quiet city, with zero pollution, is cosmopolitan in nature and is known for its penchant for hosting arts and cultural festivals on a national scale. The city has educational institutions of standard and quality, right from the school level to college and professional studies.

Three industrial growth centres developed by M.P. Audyogik Kendra Vikas Nigam (Bhopal) Ltd. on 3284 acres of land offer three choice locations, all located in proximity to Bhopal.

Strategic locations of these industrial growth centres, namely Mandideep-Satlapur-Pilukhedi have attracted a number of industries.



Since the power situation has vastly improved, roads and other linkages have been strengthened, coupled with the low cost of real estate, the incentive for investment is quite high for industry in these growth centres.

Bhopal, the capital city of Madhya Pradesh, is the ideal destination for investment in industry.

Bhopal, known as the city of hills and lakes, besides being a picturesque location, offers a number of infrastructure facilities and incentives for setting up industrial projects. The central location of Bhopal and its surroundings gives a competitive edge to industrial units in terms of connectivity and cuts down costs on production and transportation.

Incentives & Concessions

Concession for Land allotment to Mega Projects :

For projects more than Rs. 25 Crore (i.e. mega projects) 25 percent of existing premium upto 5 to 20 acres of land depending upon size of investment. (Existing Land premium for LMI is Rs. 250/- per sq mtr)

Food & Agro processing, Milk Product, Herbs, Forest based industry having investment in over Rs. 10 crore is treated as mega project.

Industrial Investment Promotion Assistance :

(I) If the fixed Capital Investment is between Rs. 1 crore to Rs. 10 crore, 50 percent of the amount of Commercial Tax and Central Tax, (excluding commercial tax on purchase of raw material) maximum up to fixed capital investment for a period of five years.

(II) If the fixed capital is more than Rs.10 crores, 75 percent amount of Commercial Tax and Central Tax (excluding Commercial Tax on purchase of Raw material) maximum up to Rs. 10 crore for a period of 10 years.



Project Report Cost Reimbursement

- For SSI Units® 1%
- For Medium Scale Industries @ 0.5% (maximum Rs. 3 lakhs)

Interest Subsidy on Term Loan :

@ 5% for 7 years (maximum upto Rs. 20 lakhs)

Investment Subsidy :

1. For SSI Units - @ 15% (maximum upto Rs 15 lakhs)
2. For SC/ST & Women @ 15% (Rs. 17.5 lakhs)

3. Assistance to Thrust Sector-Textile, I.T., Biotechnology, Automobile, Pharma & Herbal, Food processing, Agriculture & Urban waste processing.

For Fixed Capital Investment of Rs. 50 Lakhs and above - @ 25% - maximum up to Rs. 251 lakhs.

Thrust Sector Industries:

IT, Bio Technology, Life Sciences, Herbal Products, Electronic telecommunications, petrochemicals, automobiles, pharmaceuticals and cotton yarn & fabrics.

Infrastructure

- Water Supply - 3.5 mgd (Mandideep) 1.0 mgd (Pillukhedii) • Power - Adequate & good quality
- Manpower - Over 40,000 skilled workers in industry • Telephone - Adequate Bandwidth with optical fibre cable connectivity
- Industry: Small / Medium / Large • No. of industries already operating - 338 • Total investment - approx. Rs. 14,000 crores • Exports - More than Rs. 1500 crores per annum solid export

Major Groups:

BHEL, Proctor & Gamble, Crompton & Greaves, VATech, HEG, Optel, Lupin Laboratories, Vardhman Spinning Mills, Godrej, IFB, Fujitsu, Eicher, Bhaskar, Pepsi, Coca-cola, ITC, Albert David, Bhilwara, Oswal, Nahar, Hind Spinners, Aristro Pharma.



DPR/Madhya/2005

90
Golden Jubilee Year
2005 - 2008

Energy for New Synergy

Today the people of Madhya Pradesh have new dreams in their eyes. The renewed efforts for strengthen the infrastructure in the state assure them of a brighter tomorrow. Completion of Indira Sagar Project before the stipulated time and launch of 210 MW Power Plant Project at Amarkantak and 500 MW Project at Birsinghpur give new confidence to people about their future. Soon Madhya Pradesh will have an additional capacity to generate nearly 1400 MW of power.

The sparkle of hope in every eye is the symbol of the new synergy with which the people of Madhya Pradesh are building a new state.

Tomorrow Belongs to
Madhya Pradesh

The Art of Preserving Crafts

Madhya Pradesh is a state with a rich tradition of arts and crafts, some of them sustained by tradition through centuries. The state's Department of Rural Industries, with other concerned agencies working under its aegis, is making every effort to see that these arts and crafts survive with changing times.

The Department aims to conserve and develop these traditional and non-traditional crafts of the state by providing more jobs to rural youth especially belonging to scheduled castes and tribes, backward and minority sections and women.

The department comprises the Directorate of Handlooms and Handicrafts, the Directorate of Sericulture, the Silk Federation, the Khadi and Village Industries Board and the Handicrafts & Handlooms Development Corporation.

The Department works with self-help groups (SHGs) small and medium entrepreneurs (SMEs) and cooperative societies mainly through the cluster-approach to cover the vast range of rural industries comprising hand looms, handicrafts, silk production, khadi and other village industries. Quality-of-life considerations towards its constituents are part of the department's area of concern. It welcomes private sector and NGO participation partnerships include UNIDO (capacity building in Chanderi and Maheshwar with directorate of handlooms), NID (Design development and M.P. Handicrafts and Handlooms Development Corporation), NIFT (Chanderi and Maheshwar), FAB-INDIA (with the M.P. Handicrafts and Hand looms Development Corporation), Hindustan Lever Limited (with the Khadi and Village Industries Board), Central Silk Board (with directorate of sericulture), the National Handloom Development Corporation, NABARD, National Minorities Development and Finance Corporation, National Backward Classes Finance and Development Corporation and National Scheduled Castes Finance and Development.

The Department's sectoral CEOs are in dialogue with the chambers of commerce and industry, voluntary organizations and other stakeholders within and outside the government towards partnership synergies.

The Directorate of Handlooms and Handicrafts focuses on the weavers and craftsmen who keep alive their traditional livelihoods (the weaving traditions of Chanderi and Maheshwar go back several centuries, providing case studies in sustainability). Assistance is provided by way of credit facilities, facilitation of raw material, technology transfer, quality consciousness, design development, skill upgradation and marketing support. The Directorate not only implements the department's policies but also provides evaluatory feedback.

The craftsmen of Madhya Pradesh produce a rich variety of skillfully worked products. The weaves range from fine cottons and silks (both mulberry and tussar) to coarse and basic weaves.

The crafts range from stone engraving, jewellery, terracotta and woodwork to bell-metal and textile printing. Products from simple bamboo items to teak and bamboo furniture, tribal motifs in metal to highly artistic brass items block printed cotton materials to the elegant weaves of the Chanderi and Maheshwari silk sarees extol the skill of its artisans. The Handicrafts & Handlooms Development Corporation supports this wide range of handicrafts through capacity-building intervention and comprehensive marketing strategy.

The Khadi and Village Industries Board channels the large array of goods produced by the sector through its network of production and marketing outlets. The production and marketing of spices, the Vindhya Valley program interfaces the marketing skills of corporate giant Hindustan Lever Ltd (HLL) with SHG micro-enterprise.

The Directorate of Sericulture runs a comprehensive 'soil to silk' program to encourage silk production. Particular attention is being paid to technology transfer and R&D for the production of superior quality silk. Although much of the Tussar (wild silk) production has now passed to the new State of Chhattisgarh, interventions to boost production in Madhya Pradesh are underway and are yielding exciting results in per acre productivity. The Directorate liaises with the Central Silk Board (CSB) and NGOs. The sub-sector sustains a growing number of livelihoods, targeted to increase with the recent initiative of introduction of castor-based 'Eri silk' production in the State. The Silk Federation with its 'Silk Mark' authorization explores markets while pushing technical improvement through its R&D program.

In sum, the Department of Rural Industries has devised cutting edge programs for integrated cluster development, support to SMEs, SHGs and voluntary organizations, marketing support and partnership strategies. It has formal systems for market assessment, training and evaluation. The Department welcomes fresh initiatives to supplement its design development, technology transfer, skill-upgradation, networking with stakeholders, and marketing strategies, both domestic and export oriented. Training programs drawing upon management techniques, best practices and awareness of global issues impacting the Sector underpin the Department's efforts to refine and strengthen its delivery system towards the pursuit of Millennium Development Goals (MDG) in the rural livelihoods sector. ■



Chhattisgarh

**Focus on
Power
IT
Communication
Bio-fuel**



To boost farm & industrial output

CM's Mantra:

Generate **POWER**



Chhattisgarh Chief Minister Raman Singh is passionately committed to boosting agricultural and industrial production in the state. Singh has the solution to solve the twin problems. "Step up power generation" is the CM's Mantra. Agriculture, on which 85 percent of the state's population depends for its livelihood, needs power. So does industry, which needs electricity to survive, expand and thrive. Both provide jobs that could raise the standard of living of the Chhattisgarh people. And that is Singh's goal and he is confident of achieving it in the near future. In an interview with Satya Swaroop, Managing Editor of New Media, publishers of a chain of transcontinental magazines, including Indo-US Business, Singh says he is looking at the target of 10,000 MW of power generation. Here are the excerpts.

What's your government's major thrust?

The major thrust area of our government is power generation. Because both industry and agriculture sectors are dependent largely upon power. In Chhattisgarh two major sectors in which investment is made are steel and power. So our main thrust area is the power sector. We are looking at a target of 10,000 MW of additional power generation so that industry and agriculture are assured of adequate and unhindered supply of power. We are going to provide 100,000 additional new connections to improve the irrigation facility across the state.

What are the unique opportunities that your state is providing to woo Foreign Direct Investment?

Our industrial policy mainly focuses on investments in tribal areas and we are giving special exemptions and facilities for investments in this regard. That's why industrial groups like TATA and ESSAR and companies such as IFFCO are coming to Chhattisgarh. We are also receiving large Foreign Direct Investment in sectors such as power and steel. In our new industrial policy, we have formulated very good investor friendly provisions to woo Foreign Direct Investment as well as other investments. We are number one in investment inflow.

What is your vision for your State?

My vision for Chhattisgarh is: To harness the natural resources of the State for a sustainable economic and social development. I would like to see Chhattisgarh in the next 10 years amongst one of the front ranking States in India. This would be achieved by doubling the per capita income in next 5-7 years. Millennium Development Goals would be achieved by 2015. I would like to make Chhattisgarh's physical and social infrastructure the best in the country in the next 10 years. By 2015, Raipur the State capital would be amongst one of the best cities in India.

The motto of my Government is "Vikas mool mantra, Aadhar loktantra". It clearly means, driving development through democratic means. For me means are as important as the ends. The ultimate vision is to create a society in Chhattisgarh that is driven by equal opportunity and social justice. A society where opportunities to its people are not hyphenated by their geographical location, education or social standing.

What are your main priorities?

The Main priorities of my Government are: Bringing the marginalized and backward people of Scheduled Castes and Scheduled Tribes, constituting about 44 percent of the Chhattisgarh's total population into the mainstream, is one of the biggest challenge and

top most priority of my Government. Secondly, growth with equity is a must for sustainable economic and social development of the State. I am trying to make the industrial growth more broad based by encouraging investment in the sun rise sectors like Information Technology, biofuel, biotechnology, tourism etc. apart from consolidating the growth in core sectors where we are already very strong.

About 80 percent of the population of Chhattisgarh still lives in rural areas and robust growth in agricultural sector with crop diversification etc. is a must. Balanced regional development is another important priority as North and South Chhattisgarh are highly under-developed and need to catch up with Central Chhattisgarh. Chhattisgarh is the new State and augmentation of State's physical and social infrastructure along with its capacity building is another important priority for me.

What steps are you taking to promote investments in the State?

Steps taken to promote investments in Chhattisgarh are:

Chhattisgarh has one of the most forward-looking Industrial Policy with additional incentives for NRIs and Foreign Direct Investment. Chhattisgarh is the first state to have Statutory Investment Promotion Board by an Act to take decisions with regard to investment. It ensures that investors rights are legally enforceable apart from giving a single window clearance.

We are consolidating our industrial growth in core sectors like power, steel, mineral production etc., where we are already strong. We have also announced a slew of measures to attract investment in sunrise sectors like Information Technology, biofuel, food processing, herbal & medicinal processing, biotechnology, tourism etc.

What are the macro-economic indicators? What steps are being taken to tackle budget deficit?

The economy has made significant strides over the last two years and is cruising on a steady growth path. The GSDP has

recorded an average annual growth rate of 7.69 percent during the last three years as against the 10th Plan target of 6.10 percent. While the consistent growth rate of 10 percent in the agricultural sector is attributable to the overwhelming emphasis on increasing the irrigation potential, the New Industrial Policy announced in 2004 has facilitated a buoyant growth rate of 11 percent in the Manufacturing Sector as against the projected growth rate of 7.50 percent for the 10th Plan Period.

As far as tackling budget deficit is concerned, we have focused on a two-fold strategy; namely, (a) augmenting tax revenue by rationalization and simplification of tax structure leading to increased voluntary compliance and (b) cutting down non-developmental expenditure. During 2004-05

our growth rate in Sales Tax revenue (28 percent) was highest amongst all other states and non-tax revenue has maintained a steady growth rate of 20 percent. Besides, we have enforced strict fiscal discipline and establishment expenditure has been capped at 40 percent of revenue receipts. In fact, during 2004-05 we ended up with a surplus budget.

What are you doing to improve the investment climate in the State?

Chhattisgarh enjoys a very harmonious industrial relation and to give you an example the Bhilai Steel Plant which was commissioned in 1956 has not lost a single man hour till date. Chhattisgarh is a peaceful state with no law and order problems.

Chhattisgarh is one of the best fiscally managed State as per a report of the Reserve Bank of India (RBI). In fact, their establishment expenses at 33 percent of the State's Revenue Receipts is one of the lowest in the country. The State as a policy encourages outsourcing and hiring employees on contract. They believe in the PPP model. The State is leveraging IT for improving Governance. The State has a very positive forward looking bureaucracy. All these makes Chhattisgarh an ideal destination for attracting investment. In fact, as per the RBI survey report in the last financial year, amongst all States, Chhattisgarh was ranked 1st in investment with an actual inflow of Rs. 7.8 billion.

A Role Model CM!

Chhattisgarh Chief Minister Raman Singh is a trend-setter. Coming from a lush green state, where half the area is covered by forests, Singh is environment-friendly. His vehicle is powered by bio-fuel and not petrol. He drives a TATA Safari, a 100 percent indigenous vehicle.

Says Singh: "We are working on bio-fuel and bio-diesel in this state. We feel it is a new sector. We must replace fossil fuel with green fuel and there is a great opportunity in this sector. We are planting 120 million new plants for this purpose. We have installed a plant of 2.0-tonne capacity. My car is running on green fuel for the last seven months.

Recently, Business Week, a reputed global magazine, had listed the influential men who had initiated environment-friendly energy policies in their capacity as government leaders. Those figured in the list include British Prime Minister Tony Blair and Gary Doer, Premier of the Manitoba province in Canada, where the biggest offer to investors is the availability of cheapest power.

Happily, Singh is going the Doer way. Will Business Week take note of it please?



India's most inviting Investment Destination

Chhattisgarh has breath-taking natural beauty and coupled with it are special tribal cultures, arts, ancient monuments, important archaeological sites, caves, waterfalls and tourist destinations. The state is blessed with minerals aplenty, including diamond, gold, tin, uranium, bauxite, iron-ore, and coal. Industrial peace, low cost of labour and land, and an atmosphere encouraging and supportive of entrepreneurship have helped the state garner investments. The Asian Development Bank, the European Union and the Canadian International Development Agency have designated Chhattisgarh a 'focus state'.

Abundant natural resources are attracting industrialists. Chhattisgarh drew the maximum industrial investment of all states in 2003-04 and 2004-05. The biggest industrial premise is the Bhilai Steel Plant and the Bharat Aluminium Company plant at Korba having a capacity of one-lakh tonnes and the production capacity is to be increased to four lakh tonnes. The state produces twelve million tonnes of cement in

Single window interface and time-bound clearances for investors through statutory provisions makes the state of Chhattisgarh a great investment destination.

eight big cement factories and twenty-three sponge iron units produce 22 lakh tonnes of sponge iron.

The state has a good potential in the power sector and pharmaceuticals. A process is underway to establish units in these niche sectors with governmental approvals and encouragement.

The State Investment Promotion Act has now come into effect with its inherent and effective statutory provisions for single point of investor contact and time-bound clearances. And now small industries are to get 10 percent rate priority on government purchase and there is exemption of diversion fee for these small industries.

The government has agreements inked with 40 industrial groups for investing Rs 44,000 crore in the state and 1,500 small industries are to invest another Rs 82 crore.

Major industrial areas include Bhilai where the the Bhilai Steel Plant (BSP) was established as one of the temples of modern India. BSP is the highest profit-making unit among public sector steel plants. The ancillaries of the plant are also located here. Besides two large and medium, 27 small industries have also been set up, with an





investment of around Rs 115 crore.

Durg is where the Borai industrial centre is spread over an area of 437 hectares. A water scheme is under implementation with private sector partnership at this place to supply 30 million litres per day to this town and its surrounding areas.

Korba is termed as Chhattisgarh's power capital; electricity-producing units here include the National Thermal Power Corporation (NTPC), the Chhattisgarh State Electricity Board (CSEB), and the Bharat Aluminium Company.

Urla, the industrial area in Raipur, stretches over 815 hectares. It has 45-km BT roads, a water supply system and a power sub-station. Besides 60 large and medium industries, 550 small-scale industrial units have also been set up at Urla. More than Rs 400 crore has been invested here, employing 16,000 people. One dry port (container freight station) has been set up to facilitate custom formalities for exporters and importers.

The 1,260-hectare Siltara growth centre is located about 13 kms from Raipur on the National Highway 200. The water supply is through the Kharoon river, providing three M.G.D for industrial use. It has three large and medium industrial units, apart from nine small-scale industries. It also has a private power plant. More than Rs 700 crore has been invested here. Proposals are in the pipeline to establish two sponge iron plants, one ferro-alloys plant, and one LPG refilling unit. Other facilities include a 23-km-long road and two petrol pumps.

The Sirgitti Industrial Centre in Bilaspur is spread over 430 hectares. It houses seven large and medium industries and 195 small industries. With an investment of Rs 93 crore, the industrial centre provides employment to 4,500 people. Many ancillary units are also being set

up in Sirgitti as the headquarters of the Bilaspur Railway Zone and South Eastern Coalfield are located here.

Plans are underway to build infrastructure for creating industrial centres in the least developed districts like Sarguja, Kawardha, Raigarh, Mahasamund and Dhamtari. The Anjani industrial centre has already come up in Pendra Road.

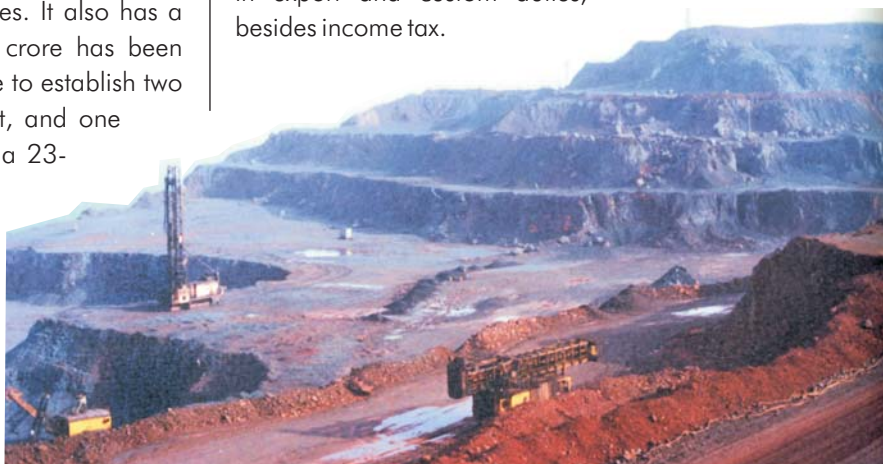
A food park is being set up over 40 hectares in Tedesara in Rajnandgaon district and Borai Industrial Centre in Durg. Cold storage facilities have been created in Tedesara, while a common food-processing facility is coming up in Borai. In the

food park, 300 units would be set up with a total investment of Rs 50 crore. Basic infrastructure like road, power, water and communication has now been developed. The food park would not only preserve and add value to agriculture produce but would also give real value to the farmer.

Another area of priority development is agro parks. In Bastar, 20 hectares of land has been reserved for setting up an agro park. The Central Food Technology Research Institute has been consulted for the organised development of the park. The park will provide facilities to farmers for preserving their produce and calculating rates. Besides cold storage, a guidance centre will be available for farmers.

In a bid to extend the contribution of Chhattisgarh in aluminium production and development of ancillary units, an Aluminium Park is also being set up with assistance from the Bharat Aluminium Company.

The IT Park at Bhilai was set up by the Chhattisgarh government to provide latest information to Chhattisgarh's youth about information technology, development of software, and other matters of interest. Basic infrastructure and other facilities are available at low cost and entrepreneurs willing to set up units here are to get relaxation in export and custom duties, besides income tax.



The software technology park is not only useful for local entrepreneurs but also for transnational corporations.

Chhattisgarh is also a very prominent centre for inter-state cloth market. Besides wholesale trade, a prominent market for readymade clothing already exists in Raipur. To bring different markets in a single premise, the apparel park has been proposed at two places in Raipur. Around 60 hectares of land has been reserved in Ravabhata and 1.6 hectares in Pandri for the same purpose.

A proposal is in the pipeline for the establishment of a gem and jewellery



Fiscal Discipline Yields Fine Results

Chhattisgarh is the best fiscally managed State and it has got a small-sized government, with no excess baggage, according to India Today Survey 2005.

The Survey termed Chhattisgarh as the "Best Facilitator State" - where the highest level of economic freedom is prevalent with regard to transactions in trade and commerce.

Chhattisgarh's strict fiscal discipline has meant that it has never asked for an overdraft or advance from the Reserve Bank of India (RBI). Revenue establishment expenditure is under 32 percent (more than 85 percent in other states)

Revenue deficit only 17.8 percent of gross fiscal deficit. (much lower than 41.60 percent, which is the average of other states) The expenditure on development works in 2004-05 is 32 percent higher than the previous year. Interest paid on public loan is just 13 percent of the revenue expenditure. (Chhattisgarh is among the four states paying minimum interest)

Expenditure on non-development works is only 31 percent. (Consider this against 52.10 percent, which is the average in other states)

Rs 250 crore in advance payment for public loans from the State's resources.

As much as 48.2 percent of the total expenditure is on the social sectors. (This is more than any other state in India.

Chief Minister Raman Singh says : "We firmly believe the state's revenue is the hard-earned money of its people. It ought to be spent with maximum caution, and only after all aspects have been considered. With no unnecessary administrative expenses, the government is oriented towards expediting various development works. We have taken the responsibility that fiscal constraints will not be a stumbling block for development works. I am proud to say Chhattisgarh is an example of sound fiscal management in the country. This ensures sufficient money for the social sectors."

park in Raipur for crafting precious minerals available in the state and to market it at good prices. Besides training facilities, efforts will be made to place the valuable diamond and stones in international showcase events. The government also plans to develop the ornament-making industry within the state.

Chhattisgarh has a rich potential of the sale and production of herbs and herbal medicines. With different varieties of herbal medicines gaining currency, the worth of the international market of herbal produce is estimated at over US \$60 billion. In Chhattisgarh, about 7,000 joint forests managing committees and 913 primary committees are involved in the herbal medicine trade. The state herbal medicine board has been set up while a research centre is also in the pipeline.

All in all Chhattisgarh is a state, which is prone to attract more investors for the simple reason that the government is willing to woo them with gusto. This is a great opportunity for national and international investors.

India's Emerging Power Hub

15 months from now, we will not be a power-deficit state. And from then on, there will be no looking back. We are going to be one of the major exporters of power by the end of 2007"

- Vivek Dhand, Energy Secretary.



What are your thoughts about the policies of the state government, especially regarding the power sector?

The policy of our state government is very clear. We have to develop our state as the power hub of the country. The Power Finance Corporation has very recently done a research and survey of the entire country and they found that Chhattisgarh has got enough coal, water and land to sustain 35,000 MW of *thermal power generation* for the coming 100 years. This is the kind of potential the state has.

The study also says that Chhattisgarh is one of the best destinations for investment because of two-three reasons. One of course is the availability of resources. The second one is the logistical location of the state. The state is situated right in the center so it is very easy to reach any part of the country. Third is the excellent work of culture of the state, which boasts harmonious industrial relations. Our Hon'ble Chief Minister is absolutely determined to make our state the power hub of the country.

But while we strive to make it as the power hub, we do not overlook the interests of the common people. Under the new Electricity Act, the state gets nothing in return when a new power plant is set up here, unlike other industries which pay a sales tax on their produce. In Chhattisgarh, electricity is a product cannot be taxed by the state government. So we do not get any revenue. Also, there are not many ancillary industries and the number of jobs created in a thermal power plant is also very limited.

Our cabinet has taken a very balanced decision, which is investor-friendly, safeguarding at the same time, the state's interests. Although today our state is experiencing a power shortage, by the middle of next year we are hopeful that all our demands for electricity are met.



Your state has a vast area of wasteland and forests, and waste from all that land can be converted into bio-mass and consequently bio-fuel. What steps has your state has taken to harness these resources ?

As many as 29 bio-mass based power plants are under way and hopefully they will be completed by next year. Already three plants have been commissioned and another six are in progress. But that will give us about 300 MW. But many entrepreneurs have set up captive power generation plants. You will be surprised to know that our capacity generation is about 1400 MW and private entrepreneurs have a generation capacity of about 1700 MW and another 1000 MW is under construction. So private people have more installed capacity power generation. Then there is the public sector undertaking such as National Thermal Power Corporation (NTPC), which is coming up with a mega thermal power plant with a capacity of 2980 MW. Also there are integrated power plants like Jindal with 1,000 MW and a few others. Chhattisgarh State Electricity Board (CSEB) has a joint venture with IFFCO for a 1000 MW power plant. CSEB itself is also planning a few power plants at different places like Sarguja and Janjgir.

What about FDI in sectors like infrastructure and energy?

We are getting a lot of offers of FDI in the infrastructure sector but we are considering and encouraging only serious players. In the alternative energy segment, though we have not gone ahead, we have yet to make a start but we have sanctioned about 10 mini hydel projects and we are welcoming more. In the wind energy also we have formulated our policy and we have given permission for four wind masts to Suzlon.

Harnessing IT with IIT help

e-Classroom: A Unique Feat



Chhattisgarh, the centrally located and land-locked state, has achieved a remarkable feat in the realm of Information Technology (IT). The state, despite the limitations due to limited air connectivity, has gone ahead to excel in two areas e-governance and e-classroom models.

"The e-class room is a unique and rare model, developed in collaboration with the Indian Institute of Technology (IIT) Kanpur," said Aman Kumar Singh, CEO, Chhattisgarh Infotech and Biotech Promotion Society (CHiPS), in an interview to Indo-US Business.

Singh explained that e-class room involved on-line classes for students and on-sight training for teachers, who were being sent to Kanpur. "The studio at IIT, Kanpur, is linked to schools in Chhattisgarh," he added.

"This model has been developed for the first time in the country. The model is so effective and successful that France has tied up with IIT Kanpur to take advantage of it," Singh said.

He said ChiPS had also implemented successfully e-Governance and e-gramswaraj programmes.

Singh said the state faced the problem of connectivity by air. "IT firms based outside the state are interested in coming to Chhattisgarh, but flights to Raipur, the state capital are very limited; only one in a day. This impediment is hampering the growth of the IT industry in the state," he said.

According to Singh, State's Chief Minister Raman Singh has personally taken up the issue with concerned authorities to have better air links with other cities and IT centres.

In Chhattisgarh, Information Technology (IT) is treated as a "Thrust Industry." Chief Minister Raman Singh says that his state's dream is to create a "knowledge Society" by harnessing the power of Information and Communication Technology (ICT), a society driven by equal opportunities and social justice.

The objectives of the state's IT policy include development of Chhattisgarh as a leading destination for IT investment, leveraging IT for improving governance, taking the Internet to masses for facilitating information access and using IT as an enabler for development in non-IT industries.



ChiPS has been set up to give impetus to IT growth in the State and implement initiatives for overall socio-economic development. CHiPS ensures top-of-the-board institutionalized coordination and implementation of State's plans for enabling benefits of IT to every one.

ChiPS acts as the nodal agency and prime mover for propelling IT and biotechnology (including bioinformatics) growth in Chhattisgarh. Chief Minister Raman Singh himself heads the governing council of CHiPS. The Council includes eminent persons from Knowledge and Technology sectors, representatives from the union government and national agencies.



Long Term Strategies for Sustainable Development



Mr. K C Venugopal

K. C. Venugopal, Minister for Tourism and Devaswom, has proved his efficiency soon after assuming power. Several strategies and initiatives were framed to tap the maximum potential of Tourism in Kerala. Marketing in the international markets, attracting investments in the tourism sector, building up infrastructure etc. are given equal priority to facilitate the growth of tourism. In a chat with **G. Biju Krishnan** he elaborates on the plans and proposals.

What are the measures taken for sustainable tourism development in Kerala?

As part of the efforts for sustainable tourism development in Kerala, the government has given shape to 'Tourism Vision 2025', which serves as a guiding force for the growth and development of tourism in the state. Apart from sustainable development, it also envisages guidelines for marketing and conservation. Vision 2025 would also help in formulating long-term plans that would do no harm to the ecology and culture of the land. To regulate tourism development in accordance with ecological guidelines we have formulated the Kerala Preservation and Conservation of Tourism Areas Act 2005, the first legislation of its kind in India. We have also made preservation and conservation of our natural and cultural heritage, a cornerstone in tourism development.

What are the prospects of tourism in terms of economic activities and employment generation?

Foreign exchange earnings could be optimized only if we succeed in attracting more foreign tourists. With the coming in of high spending tourists, more economic activities would take place and more employment opportunities would be generated. The Tourism industry should be able to develop unique products, which can provide authentic experiences and value added services. While providing world-class products and services to the tourists, the prices should be made competitive. We have to bear in mind that almost all nations and destinations have realized the potential of tourism and are extending products and services at the minimum cost. We have to compete in the international market and for that the government is now focusing on market development and brand building. We are in the process of developing a time bound marketing plan with special focus on selected markets.

How do you see the flow of tourists to Kerala in the past few years?

Kerala Tourism is doing extremely well as it has succeeded in attracting a large number of international as well as domestic tourists. According to the statistics, a total of 345,546 international tourists visited Kerala in the year 2004, registering a growth of 17.28 per cent over 2003. In 2004 the total domestic tourist arrival was 59,72,182 and in the previous year it was 58,71,228, registering a growth of 1.72 per cent. We hope that the figures would go up further



in the current year. .

Creating awareness in the international and domestic markets is an ongoing process. When do you think Kerala would be able to reap the harvest?

We are already reaping the rewards of the promotional activities carried out in the international and domestic markets. The increase in the number of tourists visiting Kerala is the result of our marketing efforts. Marketing should be a continuous effort, without which no destination can survive. We are trying to throw new light on the tourism brand of Kerala without harming the existing values and do marketing aggressively.

Which all markets is Kerala focusing on currently and what are the strategies being used to tap different market segments?

Currently we are concentrating on the Western European markets like U.K, France, Germany, Italy, Australia, Switzerland and Netherlands. We are also looking at the emerging markets in South East Asia like Japan, Singapore, Malaysia and leading countries in the Middle East like UAE, Kuwait, Saudi Arabia etc. We are looking at product specific promotion in these markets like Ayurveda in Germany and culture in France.

What are the challenges Kerala has to face in its marketing efforts?

We are trying to attract more high spending leisure tourists to the State and that of course is a challenge. The most striking challenge is to promote the State without losing its appeal. Resources are a major constraint when you try to reach out to international markets. We try our best to stretch each marketing rupee to its maximum and get the best out of the promotional activities. Another challenge is the increasing competition between destinations, both national and international.

What are the promotional packages planned to woo tourists to Kerala?

The Government of Kerala and the Department of Tourism play the role of a facilitator and so our focus is always on finding new products and promoting them. After the tremendous success of Ayurveda and Backwaters, Kerala Tourism is now promoting new products like Plantation Holidays, Farm Tourism, Monsoon rejuvenation holidays and Wedding and Honeymoon holidays. The private sector develops packages and offers them in emerging markets and these are jointly promoted.

What are the marketing initiatives taken up to cater to various segments of the market?



In the recent years more and more foreign tourists are arriving to Kerala. Kerala Tourism attributes this to the time-specific, market specific campaigns. To capture the foreign markets, we are mostly focusing on the electronic media; especially television and we are airing campaigns on CNN, BBC, National Geographic and Discovery channels in Europe, Middle East, Asia Pacific and South East Asia. Another way of reaching out to the international market is by participating in all major international tourism events and fairs like WTM London, ITB Berlin, FITUR Spain, BIT Milan, CITM China, PATA Singapore etc.

What are the steps taken up to assure tourist arrivals through the year?

At present, domestic tourists visit Kerala mainly between November and May. The peak season for international tourist arrivals is between October and March. But with the aggressive promotion of Ayurveda, we have been receiving tourists even during monsoon, extending the tourist season. We are also promoting the traditional festivals like Onam, Elephant pageants and Boat races in a big way to attract tourists during August and September.

How far are exhibitions and road shows helping in attracting tourists to Kerala?

Participation in tourism, trade fairs and organization of road shows are key promotional activities of Kerala Tourism. These help us in getting a foothold in new markets, consolidating our presence in existing markets and also to popularize Kerala among the travel media in these markets. They also provide a platform for the tourism trade in Kerala to network and develop business relationships with their counterparts in other markets.

What are the steps taken to attract private investments in the tourism sector?

We are well aware that without private participation and investment, tourism cannot triumph which is why we are extending all possible support for private entrepreneurs in the tourism sector. The Government plays the role of a facilitator and catalyst for private sector investment. The Government provides various incentives and subsidies to private investment in the tourism sector. An Investment Guidance Cell helps in facilitation and provides guidance to set up projects in the tourism field. Joint Ventures with Private



Sector also help in attracting investment in the tourism sector. The aggressive marketing of the tourist attractions of the State and Kerala's strong brand equity also attract large investments in tourism from big time national players and from NRIs.

There are complaints about lack of proper infrastructural facilities. What are the steps taken to overcome this?

Infrastructure development figures are high in Kerala Tourism's agenda. We are providing funds from the Department for upgradation and maintenance of roads on a world-class basis. Vazhiyoram, a pioneering project to set up wayside amenities with private participation is another effort to bolster infrastructure for tourism development. Backwater development plans with boat terminals and jetties will also improve tourism infrastructure. Several other initiatives are also in the pipeline.

What are the most obvious and not so obvious trends and innovations that drive tourism in Kerala?

I think the most obvious trends are the increase in disposable income, rise in luxury travel, lower air fares etc. It is an international phenomenon that travellers are eager to find diversity rather than similarity. Kerala has varied products and services to offer that can satisfy any traveller. A key contribution to Kerala's success has been the entrepreneurship and innovativeness displayed by the tourism trade in the State. The ingenious tourism products developed by the trade like the Houseboats, Tree-houses and the boutique Kerala style hotels and resorts have all given an original flavour to Kerala Tourism.

What steps have been taken to create awareness among the tourists and locals about the importance of ecology?

Kerala is the first state in India to introduce a branding and classification system for the tourism products and services. The

Ayurveda Centres in Kerala have been issued 'Green Leaf' or 'Olive Leaf' certification, depending on their services and facilities. Houseboats operating in the state have been branded 'Gold Star' or 'Silver Star' and authorities are continuously evaluating its functioning. The Department of Tourism would soon be launching an Eco-Tourism Certification Programme for tourism service providers, based on their adherence to Eco-Tourism practices. Local awareness campaign to sensitise stakeholders in tourism like taxi drivers, guides etc. about the benefits of tourism is another such initiative.

What are the steps taken to assure local level development and promotion of ethnic arts and crafts through tourism?

Several projects are being taken up by the Department in this direction. Kudumbashree, a local self-help women's initiative, has been identified and is entrusted with the upkeep of select destinations. The Govt. organizes the Nishagandhi Dance and Music Festival and other cultural programmes to promote the State's ethnic art forms. The Art forms are also showcased at Kerala Travel Mart, Malabar Travel Mart and other Road shows organized by Kerala Tourism. Several other projects like Village Tourism are also being implemented with these objectives.

What are the entertainment facilities set up for the tourists visiting the state?

The term entertainment is very much a personal one, and varies from person to person. The entertainment facilities available in Kerala are unique and varied. We have given top priority to the promotion of traditional events, cultural activities, art forms etc. The boat races of Kerala are unique which cannot be seen in any other part of the world. We are keen on showcasing what we have rather than creating something artificial. The amusement park attached to Veli Tourist Village in Thiruvananthapuram is purely for entertainment. An area of 7.5 hectares of land is ready to be handed over to Southern Fun City for its construction. The Government of India has also sanctioned Rs. 4.23 crores for setting up a Marina in Bolgatty Island at Kochi. A Golf Course is being planned at Kochi. Dreamcity Project at Kozhikode is yet another attempt for augmenting entertainment options in the State. With the realisation of all these projects, the state would have ample entertainment opportunities. ■



Preparing Kerala Internationally



E K Bharat Bhushan

Every sector prospers if guided in the right direction. The tourism scenario in Kerala is scaling heights day by day and it is sure that Principal Secretary, Tourism, **E. K. Bharat Bhushan** IAS is the secret behind this success. A very senior officer with a farsighted vision, he played an important role in the formulation of Kerala Preservation and Conservation of Tourism Areas Act 2005; a milestone in tourism development. In an interview given to **G. Biju Krishnan**, he explains the development of the sector and the projects envisaged.

How do you assess the present tourism scenario of the state?

In the last season Kerala Tourism has done extremely well by attracting a record number of visitors to the state from the international circuit as well as from the domestic market. Around 3.5 lakhs international tourists and 60 lakh domestic tourists visited Kerala in the year 2004. Based on that I have to say the tourism scenario is doing fine.

What are the measures taken to improve the tourism infrastructure in Kerala?

The Government of Kerala has given top priority to infrastructure development in major destinations across the state. Model roads in the three cities and approach roads to key destinations have been taken up by the Tourism Department. We are working closely with the private sector in developing infrastructure and 'Vazhiyoram,' a major project with private entrepreneurship was launched to improve the wayside amenities across the state. Tourism Department is also pushing forward major infrastructural projects like Kannur Airport, Cochin Marina etc. to give more impetus to tourism.

There are complaints that Kerala does not have adequate facilities to hold international conventions. Is there any plan to overcome this situation?

At present, the Le Meridian International Convention Center in Cochin is the biggest and is quite

capable of staging international conventions. The Government is also setting up an International Convention Centre with private sector participation in Aakkulam near Thiruvananthapuram to improve Kerala's prospects as a MICE tourism destination.

What are the prospects of MICE tourism?

Kerala has been positioned as an offbeat MICE destination with its unique inspiring settings, excellent infrastructure and good connectivity. It has tremendous potential to mix business with pleasure, as most of its attractions are only a 2 to 3 hours drive from each other. The State has already played host to several high-profile corporate events like Global Investors' Meet, WTO Conference, World Spice Congress, Microsoft Windows XP launch, India International Boat Show, Kerala Travel Mart etc. In the years to come,



Kerala will emerge as a favourite MICE destination with augmented facilities for conventions and exhibitions.

What are the major problems faced by the tourism industry?

As I see it, there are no crippling problems facing the tourism industry, but we will have to address certain issues to realize the complete potential of tourism in the state. The prime among them is air connectivity. We are lobbying with the Central Government for more direct flights into the three international airports in the state. Another area that needs attention is infrastructure development, especially accommodation. Both the Central and the State Government have also taken steps in rationalizing the tax



structure in the tourism sector, making it more investor friendly.

There are apprehensions about accessibility to Kerala? How for has it affected tourism's growth?

Accessibility is an integral tool for the growth of tourism. Easy and cost-effective connectivity adds to a destination's popularity in a big way. Presently, for people in Delhi, the airfares to Kerala are as costly or more, compared to other international destinations in the South-East or Middle-East. It has been a dampener, but with the Open Sky Policy and the emergence of budget airlines, the situation will definitely improve. In the case of trains, during the holiday season, there is severe shortage of seats, as most of the Keralites in other states will be traveling home on vacation. This makes it difficult for tourists to travel to Kerala during holiday seasons.

Is Kashmir a threat to Kerala in the tourism map?

I don't think it will have much impact, as both the states offer very distinct attractions. Kashmir is mainly snow clad mountains and the Dal Lake, while Kerala is a multi-product

destination with varied attractions like Ayurveda, backwaters, beaches, hill stations etc. And to a large extent, the target markets for both these destinations are different and they are growing.

There was a move to promote south India as a whole. Is this proposal still on?

We had proposed it at the South India Tourism Ministers Council. I think consolidation in the form of regional circuits and joint promotion is the next stage in marketing and we are working towards it. It should shape up in the near future.

What are the prospects of medical tourism?

Kerala has a tremendous advantage in Healthcare Tourism because of Kerala's success in both Tourism and Healthcare. Kerala is regarded as the No.1 up-market tourist destination in India and is also ranked as the No.1 state in Healthcare services by the India Today Survey on the States. Kerala's advantages in Healthcare are many, but the main advantage would be the world-renowned expertise of its healthcare professionals including doctors and nurses. Added to this, the world-class infrastructure with a number of tertiary hospitals, healthcare centers and specialty clinics places Kerala at an advantageous position.

If Kerala can also promote Health Tourism by highlighting its competitive advantages, Kerala can emerge as a highly attractive healthcare destination for wellness and curative treatments in modern medicine as well as in alternate systems. It will help to attract high-end tourists from European and GCC countries. Even now considerable numbers of patients are coming from the GCC, Sri Lanka, Maldives and other neighbouring countries for lack of facilities and expertise and long waiting lists in their home country.

What is your greatest achievement in the tourism sector?

In terms of international tourist arrivals, we have reached the 3.5 lakh mark in 2004 and have recorded a 20% increase over last year. In the tourism policy front we have brought the Kerala Preservation and Conservation of Tourism Areas Act 2005, the first legislation of its kind in India, to regulate tourism development in accordance with ecological guidelines. We have also made preservation and conservation of our natural and cultural heritage, a keystone in tourism development. ■

Daya Solutions to Draw Strength from Diversification

Daya Solutions' Managing Director **H.S. Dayananda** was in Mumbai recently to attend the NASSCOM Leadership Forum, 2006, where he found time to brief **Ravi Kolhapure of Indo-US Business** about his company's vision, strength and strategy. Excerpts.

What does Daya Solutions stand for in the IT business?

Daya Solutions is a new company engaged in the business of providing IT services, using cutting-edge technologies, which is our strength. We formed it with a small corpus fund. Already we have a few clients locally and many offers are coming from abroad for various solutions. We are working on business and delivery models to enhance our activities. We are also looking at business opportunities strategically so that when we deliver a solution it adds value to a client's business.

How does NASSCOM's India Leadership Forum event fits into Daya's business strategy?

Well, NASSCOM has helped us in understanding the present trends and opportunities available in the global market. Most of the industry bigwigs shared their experiences, interacted with others in the business and encouraged newcomers in the industry. The best part of the event was the special address by President A.P.J. Abdul Kalam, calling upon the industry to strive to get 50 of the global market share by 2010. It is a great challenge to the entire industry. We are inspired by his address. Looking at the realistic target we set for ourselves in our firm, we promise to strive for its achievement, and we may have to step up employment by a few hundred people.

What is Daya's overall vision?

We do have a strong vision of diversifying our business activities in the long run. As of now, we are strongly focusing on IT enabled services and software, BPO and real estate development. We are also looking at moving up our value chain, looking even beyond the NASSCOM targets.

What are your core areas of business and the strategy to strengthen and expand it?

Our core sector is primarily IT business. We have acquired knowledge of the various IT verticals. So, our base is very strong and we have a very effective and performance oriented-strategy. We give our global customers an opportunity to select the mode service they would like from us. It means, it is totally a customer-driven strategy in all our business transaction process. We have plans of foraying into developing technology parks, consultancy and advisory services. We are also looking at energy production and insurance, the later being a key sector in which, we have been working for the last two years.

Daya Solutions is going global with the World Bank funding. Give us the details.

We have approached the World Bank for our financial commitments during the proceedings of our business. The reason for going to the World Bank is to utilize the opportunity of the various programs available with them for the entrepreneurs. The bank is encouraging new entrepreneurs all over the globe with their various funding programmes in which we will take part actively.

Being an ICT company, why is Daya Solutions is diversifying into real estate, energy, development of tech parks and insurance?

It's a challenge for any firm to have diversification at the initial stages of the company's growth. Normally business companies come up due to opportunities created by the market. But,

here in Daya Solutions we are keen to encash the opportunities of the market for our products and services. We know, its not an easy task but, it is also not impossible. We are foraying into areas other than IT at this stage to leverage our business and enhance our activities. We are having this kind of diversification to have a self-sustainable model. At the same time; we are also creating our brand in the market. That is how we are looking at various businesses. ■



Customizing Solutions to Customer's Needs

Daya Solutions is a next generation IT Services enabler. The company partners with organizations worldwide to help them harness the power of technology and to enhance their businesses and competitive advantages.

Growing aggressively, the company aims to strengthen its position as a leading IT retail outlet. Daya Solutions offers quality-based value-added services, customized solutions, which include management consultancy, technical consultancy, product implementation, Business Process Outsourcing and development services in the fields of IT and ITeS verticals.

The high-pressure world of IT and IT enabled Services, has the global customers demanding not just the finest technical and management skills, but also an individual capacity to handle chaos and cross-competency responsibilities. This requires an attitude and environment that harbor, entrepreneurs. Daya Solutions has a passionate team of young engineers and managers drawn from the premium technical and management institutes, having relevant industry experience.

Daya Solutions supports the client's business activity both in offshore and on-site mode. It also undertakes support and maintenance of customers' existing business process and software products. For clients, the company runs an exclusive offshore development centers. These centers operate as virtual extensions of the clients organization. The company keeps clients updated by providing them with detailed project plans, daily/weekly/monthly status reports and project tracking reports. This kind of arrangement allows professionals to become experts in the areas related to their domain, technologies and processes.

To provide the best benefit of this expertise, the company does not reallocate the professionals devoted to particular projects to some other projects, even when there is an acceptable delay or time-gap between one project and the another. The company utilizes these time-gaps or delays to build further expertise in the areas related to customer domain, technologies and processes.

The company operates onsite development centers to work with customers, Who may require time to time on-going discussions and consultations. Customers generally want the company to work at their premises, especially at the time of requirement gathering and initial design discussions. Sometimes due to other constraints also, customers like the company to work at their site/premises. Whatever may be the reason, Daya Solutions understands their concern, and provides them with on-site development support.

Sometimes clients may like the data to be migrated from an existing system to the new one, or want little customization to be done for different sites/installations, or have the reports/document formats to be different from one office to another, or want some add-ons to be developed. Daya Solutions takes care of all these needs.

For the speedy and proper implementation, Daya Solutions deputed professionals having an insight into both functional and technical domains and possessing excellent communication and inter-personal skills. Whatever may be the mode of implementing solution, the company provides on-going maintenance and support to the service provided by it and maintains the repository of services, enhancements, bug fixes, and errors. Even if some unforeseen incidents happen at the client's end, the company will be in a position to provide the customer with services, solutions and its adjuncts.

Daya Solutions' round-the-clock support service responds to the clients queries /problems within 6-12 hours. The actual modification/ bug fixing/ enhancements may take more time but it will be intimated the with first response. The experience of handling time and budget critical application has given Daya Solutions the much-needed technical expertise. Our unique concept of Technology prototyping helps the company to understand the newer technologies at greater speed. Whenever a new technology or package is introduced, the Daya Solutions R&D team takes a problem statement and solves the problem with the new technology, keeping in mind the existing solution.

Daya Solutions follows the principle of innovation and invention but it does not believe in "reinventing the wheel". Therefore the company is in the process of tying up with capable partners, providing support to them in specialized areas. In turn, Daya Solutions enables and enhances the business of its partners through their skill sets in core cutting-edge technologies. The company can deal with situations, linking together partners as required, to minimize the concept of implementation on time and is able to come up with business solutions in a fraction of the time and within costs that customers will be surprised to know about.

Daya Solutions is also looking at diversifying its business activities into Real estate, Tech Parks, Insurance, Energy and Advisory Services. Its a challenge to the organization itself in order to have portfolios like these at the initial stages. But, Daya Solutions has laid out a master plan to identify the opportunities and deliver to the customer needs in an effective manner. ■



Sunil Kanoria, Director, SREI

Infrastructure to renewable energy

SREI's flourishing business of funding

By U.S. Pandey

"Every piece of construction equipment on the Kabul-Kandahar road is financed by us," declares Sunil Kanoria, Director, SREI Infrastructure Finance Limited one of the largest non-banking financial institutes in the country with an asset base touching an estimated Rs. 4000 crore.

Pioneering the concept of renting construction equipment under the brand name Quipo the Kanorias have taken SREI from a modest venture in Kolkata's Barabazar to one of the biggest names in east India with ventures including infrastructure equipment, infrastructure project, renewable energy financing and venture capital.

"When we started out things were not as rosy as today. Infrastructure was still in the government sector. Mind you we are talking of the pre-nineties pre-liberal era," says Kanoria sitting at his post office in Vishwakarma Building, one of the more important addresses of the city.

Headquartered in Kolkata, SREI now operates 33 branches across the country and has expanded its operations to UK, Germany and Russia. International Finance Corporation, Washington, DEG, FMO and BIO, all three state-owned financial institutions from Germany, Netherlands and Belgium are among the large stakeholders of the company. The company has also branched off to other allied financial services like insurance, investment banking, venture capital, foreign exchange services and retail financing services.

"We have been first to tread in many uncharted territories," Sunil Kanoria said. SREI launched a unique venture of taking solar lanterns and other solar-powered equipment to the remote Sunderbans in the delta region of West Bengal where construction of traditional energy infrastructure is very difficult. Under the brand name Srei Bhaskar, the venture has worked remarkably well.

"We worked out that people there were spending about

Rs 220 a month on kerosene. We thought if we could offer them something more convenient to them at a cheaper rate that would work. Fortunately for us it did," said Kanoria, adding that his company was also interested in working on the social sector.

"We have worked out with certain NGOs and are also into micro-credit with the help of other non-banking financial institutions," said a spokesman for SREI.

The company has plans to diversify into the healthcare structure as well and a hospital project is on the anvil. This project will be managed by Kanoria's younger brother Dr Sanjeev Kanoria, a liver transplant surgeon based in London.

Having financed flyovers, ports, small and medium sized power projects and small road stretches including expressways on the Golden Quadrilateral project, SREI has also signed an agreement with the Centre for Asia Pacific Aviation Pty Limited for extending advisory services to the Indian aviation sector.

"We were already funding a lot of aviation services and maintenance. Through this we would be able to provide added services to the various private airlines," said Kanoria.

SREI has also worked with a number of government agencies, most notably with the valuing of assets of a number of municipal corporations including Kolkata, Hyderabad and Guwahati a venture which ranked Kolkata as one of the richest municipal corporations in the country.

"There is a paramount need to improve the affordability of infrastructure equipments currently available in India. We combine asset knowledge, structuring expertise and providing end-to-end solution, creative partnering and risk sharing of assets to provide holistic business expertise to customers and partners," said Kanoria who, along with brother Hemant, runs SREI, the only infrastructure company from India to get listed on the London Stock Exchange. ■

India's first e-governance project all set to take off in W. Bengal

By U.S. Pandey

The West Bengal government, it appears, has more than made up for its sluggish start on the Information and Communication Technology Front. After having established Sector V in Salt Lake—the biggest satellite township in eastern India on the fringes of the city—as the most preferred destination of IT companies, the government is all set to implement the country's first rural e-governance pilot project.

The project being launched in the biggest district of the state—Bardhaman, a predominantly rural district in South Bengal, will connect every village council in its network.

The Department of Information Technology in the Union Government has already approved a statewide network for West Bengal at an outlay of about Rs 67 crore. This will ensure connectivity of about 341 blocks in the state.

The West Bengal State Wide Area Network was launched in August 2001 and connects all the district headquarters to the state capital Kolkata. The network simultaneously carries voice, video and data over Internet protocol through 2 Mbps leased lines rented from BSNL. In April 2003, the network was extended to cover eight commercially important subdivisions.

A source from the state government's IT department said: "The readily available secured government network would attract the attention of business houses. The infrastructure would support value added services through Community Information Centres. These endeavours would help in revenue flow."

The rural e-governance project to be soon set into motion entails an ambitious project of linking every single gram panchayat in the district with the district headquarter Burdwan.

The five-crore project would link the four remote subdivisions in the state via 2 Mbps leased line to the district headquarters to carry voice and data. The two subdivisions close to the district headquarters Burdwan Sadar I & II would be connected by laying optical fibre cables.

The 31 blocks in the state would be linked via 2 Mbps leased line to carry voice and data. The 277 village councils (Gram Panchayats) in the district will be connected by PSTN Dial Up to district headquarters to carry data only. The tender notice for the pilot project has already been issued by the Government and the work order is expected to be issued by the first week of

February. The extension of the project to the Gram Panchayat level is expected to be completed by March this year.

The Department of Information Technology has sanctioned the Burdwan project as the first such National e-Governance project in the country and results from the project will determine whether the project will be replicated across the country. Sources say such a proposal from Kerala has been put on hold till the feedback on the pilot project.

The district authorities of Burdwan have meanwhile geared up to make the project work.

The project is expected to provide major G2C services Birth and death registration certificate issuance by the gram panchayats, round the clock telemedicine facility for childcare, maintenance of database on every child in the gram panchayat with details on immunization, school admission etc, collection of all gram panchayat taxes and issue of receipts, application from citizens on various services like pensions, scholarships, grants and redressal of grievances, record of distribution of subsidized agricultural inputs like seeds fertilizers and other tools, advising farmers and answering their queries through the agri portal, access to land records and online registration of deeds.

The state IT department has already roped in the Department of Pediatrics and Neonatology at the SSKM hospital Kolkata and the referral center at the Neonatology department would provide 24 hours consultation to any request from any telemedicine center located in any gram panchayat in Burdwan.

Apart from the above G2C services, the state IT department has also chalked out a massive C2C programme as part of the rural e-Governance project

which included online booking of railway tickets, bus tickets and hotel accommodation and also access to various e-learning centres like NIIT and IGNOU, access to newspaper online editions and various government portals for obtaining services. Obviously this also includes general internet browsing. The department also plans to open a number of information kiosks for operation and maintenance near the gram panchayat offices.

After having endeared himself to the IT industry by declaring the industry as a "no-strike zone," the state chief minister Buddhadeb Bhattacharjee is going all out to where it matters the most—the grassroots. ■



Abolish luxury tax on hotels

-IACC

Indo-American Chamber of Commerce (IACC) has called for the abolition of state luxury taxes imposed on hotel rooms since that will give critical boost to the tourism industry in India.

Presently, luxury tax on hotel rooms are imposed by different States and the rates vary from 5 to 20 per cent. Some states charge on actual rates and others on the rack rates. The result is that the tourism industry suffers. Ideally, this tax has to be abolished. If by any consideration including from the point of view of revenue, it cannot be abolished, there should be a uniform tax of 5 per cent and that should be on the actual rate and not on the rack rate, says IACC

A uniform policy on tourism can be pursued only if the centre is empowered to legislate on the tourism related matters. Presently, tourism sector is under the state list. It is necessary that a statement of intent for bringing tourism under either concurrent list or central list is spelt out in the Budget 2006-07, to pave the way for the balanced growth of the tourism sector, maintains IACC.

IACC has pointed out that dual tariff imposed on the hotel rooms should be abolished. Presently, despite Central Government's direction to have only a single tariff for both residents and non residents and all payments have to be transacted in Indian rupee, the airlines, hotels, restaurants and monuments under ASI are insisting that the foreigners should pay in dollars. This practice should be discontinued

New Mining Policy

The Indian Government is now working on a simplified mining policy. The new policy will address to the issues like requirement of many approvals and lack of transparency in the system.

Indian Holdings in US touch \$ 14.4 billion

Indian institutions and RBI's holdings of US Treasuries rose to US\$ 400 million to US\$ 14.4 billion in November 2005. Indian institution's preference for short tenor securities was driven by caution to avert losses in the event of steep depreciation. The incremental holdings were mostly in the form of highly liquid treasury bills and bank deposits.

HCL in \$330 million US deal

HCL Technologies has bagged a US\$ 330 million five year's co-sourcing deal to provide total outsourcing services to Europe's leading electrical retailer DSG International. The outsourcing deal would entail system development, application delivery and infrastructure support. DSG International trades in 14 countries and serves 100 million customers each year.

Pahwa group acquires US business

Pahwa group company Bry-Air (Asia) pvt Ltd, manufacturers of dehumidifiers and industrial air treatment equipment has acquired the global business interests and marketing rights from Bry-Air Inc, US. The acquisition includes the Bry-Air brand and all trademarks from Bry-Air Inc.

Reliance's biopharma venture

Reliance Life Sciences is setting up world-scale manufacturing facilities for biopharmaceutical and cell based products at its recently completed 25-acre campus in Navi Mumbai. It will be first such facility complying with US Food and Drug Administration and European Medicines Evaluation Agency standards in India.

Genpact in \$60 million German deal

Genpact, formerly known as GE Capital International Services closed a US \$60 million 7-year outsourcing deal



with Germany's Linde Group to offer a host of financial and accounting services.

More Fortune 500 companies to set up base in Gurgaon

The number Fortune 500 companies having a base in Gurgaon is expected to double by 2010. At present 20 per cent of such companies including Microsoft, Alcatel, Wipro, TCS, IBM etc have an operational base in Gurgaon

US co. to launch asset management business in India

American International Group, the US based insurance firm is about to roll out its asset management business in India. AIG, which has partnered with Tatas for a life insurance venture in India has signed Franklin Templeton India's former president Ravi Mehrotra to set up an asset management business in India.

Intl. School of Business & Media

International School of Business and Media is planning to

enter the US market with various industry-oriented courses. The School is currently offering a number of courses in the field of business management, marketing and finance.

H-1 B Visas

According to US Citizenship and Immigration Services, the quota of 20,000 visas, available under this category, has been exhausted as on January 17, 2006. Under the current law, while the annual cap on the H-1 B category is 65,000 down from 195,000. Congress has created an exemption for 20,000 foreign nationals earning advanced degrees from US universities.

The wages for Hi-B workers in computer programming occupation are overwhelmingly concentrated at the bottom of the US pay scale, despite a Federal stipulation that US employers must pay them the same salary.

The temporary visa program enables US employers to hire professionals for a period of up to six years at the same salary level as other employees with same skills and qualification. ■

IACC Gujarat to hold Indo-US Textiles Summit on March 18 & 19

The textiles industry has been undergoing a massive resurgence globally and hence, newer and more focused strategies need to be evolved for meeting the challenges and harnessing the immense opportunities. With the quota restrictions under WTO gone from 2005, a number of initiatives would have to be taken to explore the possibilities of further accelerating pace of exports, particularly of Textiles, in the years to come. To deliberate upon these and other relevant issues vital to the fast-track growth of the Indian Textile industry and to evolve an action plan, Indo-American Chamber of Commerce (IACC) proposes to organize a summit on 18th and 19th March 2006 at The Grand Bhagwati, Ahmedabad between 9.30 am to 6.00 pm.

Captains of the textiles industry from both India and the United States will be participating in the Summit, which will be inaugurated by Union Minister for Textiles Shantanshu Khajuria.

The Summit would bring on to the same platform representatives of the textiles industry, policy makers in the government, technocrats and entrepreneurs from textile sub-

sectors (apparel, machinery, processes, retail, R&D, education, design fashion etc.) and associations, academia and experts in WTO related issues. The Indo-US perspective would be in special focus and a heavy emphasis would be laid on it.

Indo American Chamber of Commerce (IACC) is the only bilateral chamber of commerce in India, committed to the development of Indo-US business relations. With a varied membership from the industry, Institutions, Academics, etc. the IACC has been working with full commitment towards achieving sustainable growth in Indo-US trade. IACC serves as a link between the business communities of India and the US. It has more than 3000 members throughout India, who together represent a wide spectrum of business and economic segments. With 14 offices spread across the country, the Chamber has signed MoU with 8 leading chambers of Commerce in the US. For registration or further details, you may contact Ph. +91 79 2646 4352 Email: info@iaccgujarat.org Website: www.iaccgujarat.org ■



Executive Forum on Leadership



IACC & AMA Executive Forum on Leadership

Indo American Chamber of Commerce (IACC) Karnataka Branch and the American Management Association (AMA) recently organized an "Executive Forum on Leadership" in Bangalore. Dr. Wolfgang Lux, Managing Director, AMA Asia Pacific, presented the results of the AMA/HR1 survey on "Leading into the Future" which included responses from 1,573 managers and HR experts from around the world.

Bhaskar Pramanik, Managing Director, Sun Microsystems India Pvt. Ltd. shared his insights on leadership.

The Leadership Forum was sponsored by the American Management Association and was well attended and appreciated.



J. Mathew Szymanski, Chief of Staff, Small Business Committee addressing the breakfast meet

Meeting with US Congressional Delegation

A six-member inter-Parliamentary delegation from Small Business Committee of the US government visited Bangalore recently. IACC, Karnataka Branch and AMCHAM, Bangalore organized a Breakfast Meeting with the visiting US Congressional delegation.

The main objective of the delegation was to explore business opportunities and more particularly on IPR policy issues, Information Technology and Off-shoring activities.

Illinois business delegation to visit India

A business delegation from the Illinois state of the United States is visiting India from March 12 to 21, 2006, to explore mutually beneficial business opportunities with Indian companies, according to the Indo-American Chamber of Commerce (IACC). The Chamber will be hosting the Illinois delegation during the latter's stay in India.

The delegation will start its visit with New Delhi (March 13 & 14) followed by Bangalore (March 16 & 17) and Mumbai (March 20 & 21).

IACC patron members, IACC Executive Committee

members, and representatives of the US State Department will attend and interact with the visiting Illinois delegates who represents many business sectors which include: global branding consultancy, the service industry; electronic instrument industry; submersible pumps; construction equipment; and renewable energy resources, to name a few.

"The US and India, the world's two largest democracies are rapidly strengthening their bilateral ties and we believe this will be a great opportunity to reach out to a select and powerful group of people in the US-India trade corridor," a spokesman for IACC said.



PHOTO FEATURE

Showcasing Partnerships

The growing Indo-U.S partnership was on display at the stall put up jointly by the East India Council and the U.S. consulate at the International Evening Exhibition held at the Calcutta Club on January 28, 2006.



From left to right - Regional President EIC Vikram Swarup, Bindu Swarup, Regional Secretary Madhusree Daityari



From left to right - Past Regional President and EC Member Ashok Aikat, Bhaskar Rajah, Deputy Director, U.S. Centre and Hon'ble Henry V. Jardine, U.S. Consul in Kolkata.



From left to right - Susan Shultz, Director U.S. Centre explaining the display to Hon'ble U.S. Consul General Henry V. Jardine.



Vikram Madhok, Immediate Past President, IACC-NIC, (Left) welcoming new regional council members at a party hosted by him. Baljit Sobti, Regional President, IACC (Right) looks on.



South City Sold Like A Dream

Sureka Looks Beyond the Horizon

"We have not changed it is only that people have started looking at us differently," says Pradeep Sureka, the man behind some of Kolkata's landmarks - White House, Duckback House, Central Plaza, JK Millennium Centre and the South City.

Sureka was thrown into what was then considered as the "bad world of real estate" when he was in his early twenties. The suave businessman is talking about the changing public perception of promoters and builders in politically volatile Kolkata.

Now an extremely contended man, his dream project - the South City, located bang in the heart of the city, having been a huge success - the 47-year-old businessman is looking beyond the horizon, like moving out to Hyderabad for some major projects.

Already over 80 per cent of the 1600 odd apartments in one of the most prestigious properties have been sold out. And not surprising for Sureka, most of the buyers have been non-resident Kolkatans, who have made it big in the country and beyond.

"We were out to redefine living in the city. The South City as the name suggests is a virtual township and right from shopping malls to schools to clubs to lakes to a waterfront are a part of the project," says Sureka with a tinge of satisfaction.

Emboldened by his success Sureka is now planning what is effectively a sequel - the South City Gardens.

There were not many people who were impressed initially by the original idea of a township for the HIG and the HMIG and that too on the busy Prince Anwar Shah Road. "I never had any doubts. As it is the prices here are a third of what they are in the other metros. And there still is a huge demand for such concepts," says Sureka who heads the Finance and the Real Estate division of the Sureka Group of companies.

One little known fact is that his company is one of the bigger exporters of bicycle tyres and tubes to countries like Ivory Coast, Nigeria, Kenya, Egypt and West Asia. With manufacturing units at Hyderabad and Nagpur and thirty offices across the country, the Surekas have been involved with the business for the last two decades, marketed under the Hartex brand name. "The annual turnover is about Rs 120 crore, but it is just that our more glamorous outfits, like the real estate division has walked away with all the glory.

From the days when he had to struggle for basic raw materials, in the days of regulated economy to now where the sky is literally the limit, the South City will have the largest skyscrapers in the city, one thing has not changed for Sureka his commitment to social welfare.

Sureka's family has been involved in some of the biggest such projects in the city. Manovikas Kendra, where the Surekas are actively involved, remains one of the biggest centers for children who are mentally challenged. Besides, both his parents are involved in some of the biggest educational institutions in the state.

He has also been doing something, which has won him admirers in the present government - making LIG apartments even in the prestigious Rajarhat for prices below Rs 3 lakhs.

"Well, we just had to cut down on our profits since we considered this our social obligation. And if we get land at cheaper rates we can make even cheaper flats for the poor," he says.

The quintessential Kolkatan that he is, Sureka gets excited at the mere mention of Kolkata. "It is just that we have got a bad name. Just wait and see the developments in the next two decades. We shall compete with the best in the country and beyond," he adds. ■



A boon for Road Transport Industry Micro VBB Marshal launched



Dr. P. Sekhar

Micro Technologies Ltd has launched 'Micro VBB Marshal', a multi-vehicle security and logistic support system, specially developed for the road transport industry in Vashi, Navi Mumbai.

Micro VBB Marshal has been designed to help the road transport industry. It helps monitor on a real time basis the

vehicle movements and prevents misuse of individual vehicles by the drivers and fuel thefts. It enables location identification and emergency messaging.

Micro VBB is a globally acclaimed patented "Made in India" product and has recently been chosen for the NASSCOM Innovation Award for products developed by Indian companies

Micro VBB Marshal is a mobile phone and GIS-based vehicle location and tracking applications security product. This product has been designed to serve the needs of the road transport industry such as the state transport corporations and will help in reducing fuel thefts besides providing a two-way communication, emergency messaging and location identification.

Micro VBB Marshal was launched at a glittering function at

Micro Technologies India Ltd, Micro Infotech Park, Vashi by Maharashtra State Road Transport Corporation Chairman and Principal Secretary, Transport, Home and Excise, G.S. Gill.

Also, present during the occasion were MSRTC Vice Chairman and Managing Director Kishore Gajbhiye, S.D. Shinde, State Transport Commissioner Deepak Kapadia and Micro Technologies CMD, Dr. P. Sekhar.

Inaugurating the Micro VBB Marshal, Gill said that this initiative from Micro Technologies would provide all road transport fleet owners both in government and the private sector a better sense of security about the safety of their vehicles and go a long way in improving their efficiency and utilization.

This patented Micro VBB Marshal has been developed with some unique features keeping in mind the road transport industry. It has the functions of speed indicator, impact / motion sensor, fuel indicator, integration with vehicle tracking which are today standard norms in most western and developed countries.

Dr. Sekhar said it was the company's belief that such products would help in bringing a greater sense of security, accountability and peace of mind for all the people involved the vehicle owner, the driver & his staff and the passengers traveling in it. ■

Micro Technologies signs MOU with Sony Ericsson

Micro Technologies India Ltd has announced that it has signed a strategic Memorandum of Understanding (MOU) with Sony Ericsson for developing new high tech wireless products and solutions for the global market. The MOU signed between the Company and Sony Ericsson PBU M2M, UK, is for jointly working towards development and promotion of wireless and related solutions using the technological strength of both the companies.

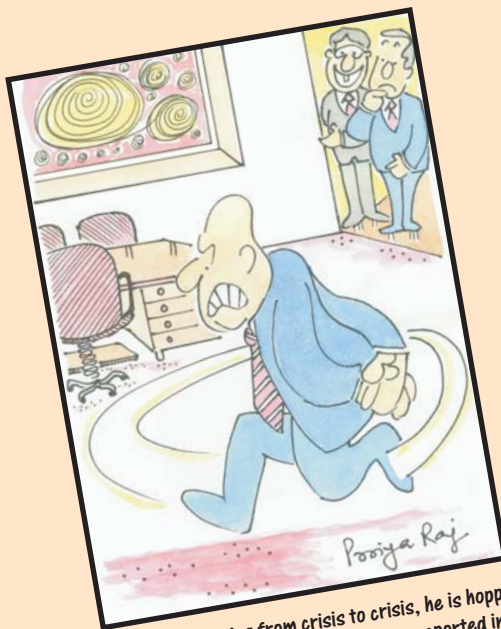
Micro Technologies will develop products and solutions based on Sony Ericsson Wireless modules for the international market and endeavor to generate business for both the companies. Sony Ericsson will provide all inputs for the wireless modules taken for development and provide technical information about new products. Also, the MOU will help the Company to become a member of the Sony Ericsson PBU M2M Wireless Community with immediate effect.

Sony Ericsson would be assisting in promoting products and solutions developed by Micro Technologies globally using their existing channels. The Company also has a range of wireless technology products for various security and messaging solutions, which are already available in the international markets. This relationship will bring complimentary association for new products to cater to additional markets in new geographies like the European Union, Japan and other countries.

PSU M2M is a part of Sony Ericsson Mobile Communications and is a world leader in Wireless Telemetry products and solutions. Sony Ericsson wireless modules will be integrated with the company's specified applications targeting the international market in Industrial automation segment. ■



The world of business is full of humorous situations. Here we publish a selection of corporate cartoons by internationally acclaimed management cartoonist Prriya Raj presenting before you the funny side of business. Enjoy!



So used to moving from crisis to crisis, he is hopping mad because no fresh crisis has been reported in the last 48 hours!



Not only the smallest cellphone, we also offer you the biggest operation manual to go with it!



Your program on enhancing creativity is still not delivering results. He has simply moved from 'No' to 'Yes But'!



Customer delight - so that the customer can go home happily without realising that his pockets have become light!



You leave so much of blank white space in your painting! Is there a massive cost - cutting happening in your organization too?



The economy is on a dream run, boss... and I'm strategically going to sleepwalk into it!



And make sure you get me an executive suite!

“I don't know how Priya Raj managed to place listening devices inside the executive offices of companies all over the world... he captures the reality of what happens in many offices.”

- **Philip B. Crosby**

Author of 'Quality is Still Free.'

“Great Stuff... biting insight into life in the business world.”

- **David Aaker**

Author of 'Building Strong Brands.'

“Priya Raj deftly and joyfully reminds us that managers --whether based in New Delhi or New York --are after all, only human.”

- **Michael R. Solomon**

Co-author of 'Marketing: Real People, Real Choices.'

Send us your feedback at
enquiry@newmediacomm.biz

An MBA topper with over 25 years of corporate experience in marketing, branding and media, Priya Raj has four books to his credit. His management cartoons have appeared in national and international publications. He can be visited at www.priyaraj.com and can be reached at ppriyaraj@rediffmail.com

ECGC - Providing Protection to Exports

A guaranteed insurance cover against all payment risks

Export Credit Guarantee Corporation of India Limited (ECGC) was established in the year 1957 by the Government of India to strengthen the export promotion drive by covering the risk of exporting on credit.

Being essentially an export promotion organization, it functions under the administrative control of the Ministry of Commerce, Government of India.

ECGC is the fifth largest credit insurer of the world in terms of coverage of national exports. The present paid-up capital of the company is Rs.700 crores and authorized capital Rs. 1000 crores. The paid-up capital is expected to be enhanced to Rs.800 crores.

What does ECGC do?

- provides a range of credit risk insurance covers to exporters against loss in export of goods and services
- offers guarantees to banks and financial institutions to enable exporters obtain better facilities from them
- provides Overseas Investment Insurance to Indian companies investing in joint ventures abroad in the form of equity or loan.

How does ECGC help exporters?

ECGC

- offers insurance protection to exporters against payment risks
- provides guidance in export-related activities
- makes available information on different countries with its own credit ratings
- makes it easy to obtain export finance from banks/financial institutions
- assists exporters in recovering bad debts
- provides information on credit-worthiness of overseas buyers

Need for export credit insurance

Payments for exports are open to risks even at the best of times. The risks have assumed large proportions today due to the far-reaching political and economic changes that are sweeping the world. An outbreak of war or civil war may block or delay payment for goods exported. A coup or an insurrection may also bring about the same result. Economic difficulties or balance of payment problems may lead a country to impose restrictions on either import of

certain goods or on transfer of payments for goods imported. In addition, the exporters have to face commercial risks of insolvency or protracted default of buyers. The commercial risks of a foreign buyer going bankrupt or losing his capacity to pay are aggravated due to the political and economic uncertainties. Export credit insurance is designed to protect exporters from the consequences of the payment risks, both political and commercial, and to enable them to expand their overseas business without fear of loss.

ECGC has been offering its service to the exporting community for more than 45 years. It has evolved different credit insurance products to suit the requirement of Indian exporters and financial institutions.

ECGC schemes for Exporters are:

a. Shipment Comprehensive Risks Policy

It is one of the ideal short-term policies. This policy covers both commercial and political risks from the date of shipment. It is issued to exporters whose anticipated export turnover for the next 12 months is more than Rs.50 lakhs.

b. Small Exporters Policy

This is basically a Standard Policy incorporating certain improvements in terms of cover, in order to encourage small exporters to obtain and operate the policy. It will be issued to exporters whose anticipated export turnover for the next 12 months does not exceed Rs.50 lakhs.

c. Specific Shipment Policy - Short term

It provides cover for shipments on selective basis. Exporters can take cover under this policy for shipments to a buyer under a contract. This policy can be availed by exporters who do not hold SCR Policy or even by exporters having SCR Policy to cover those shipments permitted to be excluded from the purview of the SCR Policy. The exporter can opt to cover one or more shipments only under a particular contract.

d. Buyer-wise Policy

It caters to the needs of all exporters and those who intend to cover exports to specific buyers. This is an extension of SSP-ST Policy.

e. Turnover Policy

This policy is meant for larger exporters contributing an annual premium of not less than Rs.10 lakhs. The policy envisages the projection of export turnover by a policyholder in advance based on which the premium rate is determined and it is subject to adjustment at the end of the year on the actual turnover applying the turnover discount on the premium rates.

f. Services Policy

Services Policy offers protection to Indian firms against payment risks involved in rendering services to foreign parties. A wide range of services like technical or professional services, hiring or leasing can be covered under the policy.

g. Export Maturity Factoring

It protects the exporters and the banks to the extent of 100%. The factored bills can be set aside of the limits sanctioned thereby increasing the export turnover.

Policies offered by ECGC to all Indian Exporters covers both commercial and political risks from the date of shipment till the payments are made in respect of goods exported on short-term credit as well as on long-term credit.

Risks Covered:

(a) Commercial Risks

(b) Political risks

ECGC is also providing Commercial Cover to bankers on their advances to the exporters at Pre-shipment and Post-shipment stage to enable them to extend the Credit facility to the needy exporters.

Overseas Investment Insurance provides protection to Indian investments abroad, either in the form of equity capital or untied loans due to political risks. Besides, ECGC also has various schemes for exporters of medium and long terms credits. Covers are available for lines of credit and buyers' credit extended by institutions like EXIM Bank to overseas institutions/buyers. Apart from Specific Contract or Shipments Policy to cover supply contracts, Services Policy to cover the respective exports, a Construction Works Policy is also available to insure turnkey projects.

Export Credit insurance calls for extensive research and in-depth analysis. In this context, ECGC is certainly not found wanting with its buyer and buyer underwriting division involved in extensive research. The division collects and monitors updated reports on buyers, review buyer limits. Country underwriting division is preparing, reviewing and updating country reports, formulating and reviewing country underwriting policies, dealing with matters connected with international bodies like Berne Union, IIF, IMF and coordinating with other credit insurance agencies.

ECGC has left no stone unturned to provide the best possible products and services to enhance the competitiveness of Indian exporters. The corporation recently signed a corporate agency agreement with banking major Corporation Bank for marketing the insurance products of ECGC meant for exporters, the right way to expand one's operations in these times when bancassurance has become the order of the day.

The Corporation is well in tune with the times today. With online transactions increasing and web-based business operations occupying the centre stage of the world of business, the export credit insurer, in a joint venture with global b-2-b major Dun & Bradstreet (D&B), has launched a website, www.indanexportregister.com, to support Indian exporters in global markets and to aid international buyers in sourcing products from credible Indian exporters.

In the world of mergers and strategic alliances, ECGC too has been forging the right alliances to expand its operations and to provide the best offerings to Indian exporters. It has tied up with the French credit insurance company, Coface, to attract more multinational companies to its list with the offer of Global Policies. Under the new scheme, ECGC would target MNCs across the world by covering credit insurance to them for their export activities abroad as well as in India.

Leading Credit insurers are diversifying into related services for which they could charge fixed fees and bolster income without increasing the risk exposure. ECGC also provides many other specialized services to exporters by guiding them in export related activities, providing information on different countries with its own credit ratings, assisting exporters in recovering bad debts and offering information on credit-worthiness of overseas buyers.

Bancassurance is gaining importance with the liberalization of the banking and insurance industry. All Insurance companies are entering into agreements with the banks to explore the possibilities of increasing business and the banks for increasing their fee based income. ECGC too signed agreements with 13 commercial banks for marketing its export insurance policies to the exporters. Such arrangements help the insurance companies to use the data base of the banks and also to reach the customers in remote places through the banks net work.

New concepts such as 'add on' facilities are provided to encourage more and more customers to use the products by many companies. ECGC has identified Marine Insurance policies for such 'add on' with its Specific Shipments Policies to the exporters who opt for comprehensive risk cover. This 'add on' facility is available with out any extra cost for the exporters. The exporters would now be able to be more competitive in the export market. ■

Pravasi Bharatiya Divas 2006

The Day of the GLOBAL INDIAN

One For All For One

By Ravi Kolhapure

It was an event that connected India to the world. It also brought the world to India. Non-Resident Indian (NRI) delegates and persons of Indian Origin (PIOs), a number of them celebrities, from as many as 110 countries, converged on the southern city of Hyderabad for the three-day Pravasi Bharatiya Divas (Jan 7-9) 2006, to talk about what they could do for this country as strategic partners in its progress.

But the event's tone was set by the Prime Minister, Dr.



Manmohan Singh, who declared what India could do to its diaspora. He announced the grant of Indian Overseas Citizenship for the deserving among them. It was a joyous

occasion for the NRIs who settled in distant lands, but still nurtured passionate feelings for their Motherland.

"This is the time to forget our differences and labels, and celebrate our common Indian-ness. This is the time for all of us to become strategic partners in progress in a one for all: all for one spirit," said Dr. Singh.

The event, organized by the Union Ministry of Overseas Affairs in partnership with the state government of Andhra Pradesh and the Federation of Indian Chambers of Commerce and Industry (FICCI), commemorated the occasion of the arrival in India, of a South Africa-based lawyer, Mohandas Karamchand Gandhi, 91 years ago. The rest, as they say, is history. India achieved independence from

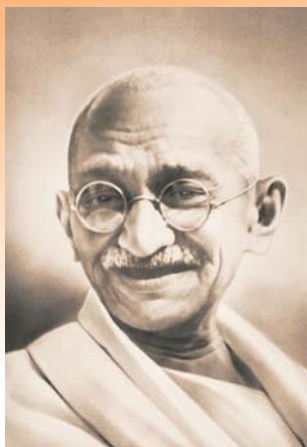
Putting Bihar back on the rails

Bihar's newly-elected Chief Minister Nitish Kumar is seen inviting NRIs /PIOs to invest in his resource-rich but neglected state. Kumar has assured the participants of the PBD a number of incentives and facilities to ensure an attractive return on their investments.



'Aum' going global'

Malaysia's Minister of Works Dato'seris Samy Vellu & his family members with Dr. Sharad Nayampally of Aum Trust, Mumbai. Samy Vellu showed a keen interest in India's ancient medical therapies of Ayurveda, Naturopathy, Panchakarma and Unani. Aum Trust will popularize these time-tested alternative medical systems in Malaysia through franchises.



300-year British rule and Gandhi became a Mahatma. In a true sense, Gandhi was the Original NRI.

Pravasi Bharatiya Divas as it is celebrated every year provides a truly global forum for Indians and the Indian diaspora for social, economic and cultural interaction. The 20 million-strong Indian diaspora is perhaps the most

heterogeneous and widespread in the world, sharing half a dozen religions and numerous sub-ethnic identities. The Indian Diaspora has retained its cultural identity on one hand and assimilated well their adopted cultures on the other.

This year the forum witnessed more than 1,350 overseas Indians, 550 VIPs from India and abroad, chief ministers of seven states Andhra Pradesh, Bihar, Gujarat, Jammu & Kashmir, Karnataka, Kerala, Punjab, Tamil Nadu, West Bengal, Rajasthan. As stakeholders in progress, the states are vying with each other to woo NRI investors.

As a step in the direction of connecting effectively with the Indian Diaspora, the Prime Minister conferred on two overseas Indians, Nivruti Rai, an IT professional and Iftekar Shareef Ahmed of the Federation of Indian Association, Chicago, the status of Overseas Indian Citizenship (OCI).

"I feel happy that we have delivered on our promise to grant status of OCI to eligible applicants," said Dr. Singh.

The first day of the forum witnessed the signing of MOU

between the Ministry of Overseas Affairs and the American Association of Physicians of Indian Origin (APPI). "This initiative will facilitate the launch of pilot projects in basic healthcare in Andhra Pradesh and with active involvement of the states, it will be scaled up and is expected to give new impetus to India's efforts to reach the millennium development goals in healthcare" stated Dr. Vijay Kohli, an eminent healthcare delegate from the US.

Besides, "the Roundtable on India: the knowledge Powerhouse" focused on the need to replicate India's success in the IT and ITeS segment in other sectors as well.

The Prime Minister also announced an easy-to-use business and outcome-driven remittance facility, which was subsequently launched by Finance Minister P. Chidambaram, during the final plenary session "Remittance Services".



This "Insta-Remit" Gateway has been developed by the Ministry of Overseas Affairs in partnership with UTI Bank and will enable NRIs to send money to any bank of their choice anywhere in India within 24 hours.

Plenary III dealt with remittances from overseas Indians, which constitutes an important element in India's development. Overseas Indians are the world's largest remitters. Despite the spread of the banking network and the various remittance facilities in the market, a substantial part of remittances continue to come through informal channels primarily because of prohibitive costs and lack of convenience.



Maharashtra's Chief Minister Vilasrao Deshmukh & Minister of Industries & Commerce Ashokrao Chavan gave a television interview recently, the thrust of which was to promote the state as the best destination for NRI investment, especially in its Special Economic Zones.

MOIA has partnered with UTI bank to develop a 'Universal Integrated Electronic Remittance Gateway'. This gateway will combine the virtues of economy, speed and convenience. This 'Insta-Remit' gateway is intended to benefit Indians working in the gulf region but will also serve as a valuable service for overseas Indians across the globe.

Looking ahead, Dr. Manmohan Singh also announced future initiatives and said that the government was looking at providing NRIs in Gulf with voting rights in India. He stated, "this proposal is at an advanced stage of consideration. We hope to take appropriate measures in this region".

Plenary 1 of the Forum sought to define the term "diaspora from the context of Indian migrants. Originally, the word had been used for

describing the Israeli exiles, the "dispersed persons"

In the last three decades and more, there has been a change in perception on transnational migration of people throughout the world. Demographic movement across borders is today an important facet of globalisation. Earlier, movement of people was seen as 'brain drain'. Increasingly home countries across the world are beginning to recognize that their diaspora represents knowledge in diverse fields and that this knowledge reservoir can be drawn upon as 'brain gain'.

The heterogeneous Indian diaspora spread across eight major regions of the world is a product of different waves of migration over hundreds of years. As such, they have distinct expectations from the home country.

Planning Commission
Deputy Chairman
Montek Singh
Ahluwalia at
PBD 2006: Ahluwalia
has assured the NRIs
that the government is
making every effort to
upgrade the country's
infrastructure to
facilitate higher flows
of Foreign Direct



Zambia Bank
General Manager
G.H.R. Hamainza.
Zambia is among
54 African countries
represented at the
PBD, all of them
striving to enhance
their bilateral trade
with India.

It stressed the need for leveraging the knowledge resources of overseas Indians to forge partnerships with reputed professional organizations overseas, to implement pilot projects that can then be replicated as models across the country.

A beginning is being made in this direction with the signing of a Memorandum of Understanding (MOD) between MOAI and AAPIO of the US and is expected to facilitate the launch of pilot projects in basic healthcare in two states of India. With active involvement of the States, this initiative will be scaled up and is expected to give impetus to India's efforts to reach the millennium development goals in healthcare. ■

The plenary, therefore, noted the need to develop an inclusive agenda for engaging the diaspora that would draw on its eclecticism, while at the same time providing for a wide range of roles and expectations. More so, in view of India's emergence as an economic power and the likelihood of its becoming at some point the third largest economy of the world in the next two decades to join the ranks of developed nations.

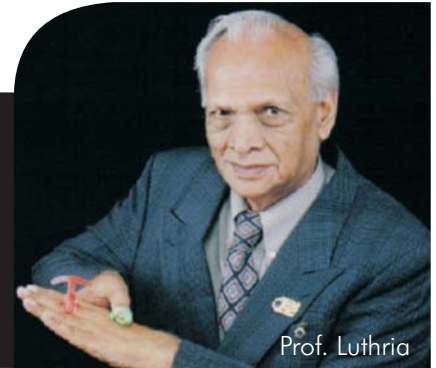
Plenary II of the forum called for an institutional framework to create and benefit from networks with and among overseas Indians to collaborate in the healthcare sector in India.

Minister of
Overseas Affairs,
Oscar Fernandes &
his wife at
PBD 2006, with a
brochure of Aum
Trust, after
inaugurating the
alternative therapy
centre's stall at the
exhibition.



Su Jok

Miracle Pain Healer



The Lions Club of Mumbai (Su Jok) has a unique project called "The Family Health Awareness Campaign" which provides training to interested persons in Su Jok a wonderful complementary therapy, proved extremely useful in curing all kinds of chronic and acute health related problems.

Su Jok is a very simple, easy to learn therapy. It is completely noninvasive and it provides instant pain relief. It has no side effects and yet, at the same time, it is very cost effective.

Lion Prof. Luthria, who is a firm believer of benefits of Su Jok, met Lion Dr. Janet, a general practitioner and treated her for some knee pain that had been bothering her for years and for which she was constantly taking pain killers. She was cured and became a missionary for spreading Su Jok. Dr. Janet and her husband joined Lion Luthria along with other like minded people who had benefited from Su Jok therapy and formed a Lions Club of Mumbai (Su Jok). They conducted several workshops and camps and traveled all over the country to provide training and treatment.

Brigadier Tiwari, who at the time was in-charge of the Army Health Department in Area Command of Indian Army in Mumbai was greatly impressed with the Su Jok treatment for heel pain a problem that has no cure in any other kind of therapy. It is a common affliction on soldiers worldwide. The Brigadier found it to be a God-send solution for his troops and asked the Lions Club to teach it to the doctors and troops in Military Hospital, Kalina, Mumbai. The G O C,

Maharashtra & Gujarat, General Yadav had a Golf elbow and was suffering for over 10 days. He was advised by Gen Yadav of Bangalore to go to Prof. Luthria for treatment. To his great surprise, he was cured of his problem in just a couple of minutes. He then asked Lions Club to conduct a course for the Armed Forces in Mumbai.

The Lions Club members were invited throughout India to hold demonstrations of Su Jok therapy and to teach it. However, they were greatly surprised when a leader of the Asian community in Kenya came to Mumbai and informed them that their program on Su Jok, broadcast by Aastha TV Channel, was viewed by public in Africa and was very popular with the community. They were invited to Nairobi, Kenya. The Mumbai Lions team on reaching there found out that many patients had tried out Su Jok over there by watching their TV program and experienced relief and cure in diabetes, joint pain problems etc.

The Lions started training and treatment programs in community and schools. They went to the Nairobi Academy and after teaching the students, treated a polio-affected student who began to walk without the aid of her crutches. There were other such instances, which seemed almost miraculous a mute person began to talk, children who had lost their sight could see. Thousands thronged to the lectures and they were broadcast on local television networks.

However, rather than read



about these miracles, why don't you take a few moments to test out the efficacy of Su Jok yourself?

If someone around you is suffering from a headache, try this simple cure.

Every kitchen generally will have fenugreek (Methi) Take an adhesive tape. Spread fenugreek seeds on any flat surface and put the adhesive . . side of Tape on lightly on the seeds. The seeds get stuck to the tape Pressing thumb tip on seeds, wrap seeds with tape on Thumb tip.

press the tip of thumb of the patients against it, release pressure and again press (a pumping action). Do it for about a minute or so. Ask the patient if headache has reduced or vanished? Wrap the tape with seeds around the thumb tip. Ask the patient to keep pressing and releasing, with the other hand, after every hour or two. One can even get relieved from Migraine by this method in a couple of days' treatment. There are better methods in Su Jok to achieve this end. This is recommended only as a trial without the Su Jok Kit.

Similarly if some one has knee pain, we have to consider treating the knuckle joints of middle two fingers. Wrap lightly tape, with fenugreek seeds stuck to it, around each of the knuckle joints. Squeeze them between thumb and fingers of the hand holding them, release pressure like in a pumping action for a minute or so. Ask the patient how much relief is s/he feeling? Let the tape remain on fingers and apply pumping action every hour or two. This treatment is good for acute or chronic cases. One can also use Stretchable ring or the Su Jok Stimulator. You have been driving for long hours or have been busy on your computer. You are most likely to be victim of neck pain and backache. No matter if it is acute or chronic pain, would you like to go for pain killers? You know fully well that the pain killers are killing you in the long run.

Would you like to try out getting relief from pain problems by using your pencil? Is it possible? YES. The Lions Club members have been treating thousands of patients with this system, in India and abroad, successfully for the last seven years.

Pencil with horizontal stem Area shown by Pencil is to be treated Rolling action of the pencil.

Hand & Foot Replica of Body.

Take a pencil or a ball pen that has horizontal stem. From first joint to wrist, on your thumb shown by the red pencil, roll the pencil with slight pressure, up - down - up, the whole length shown with pencil, for about two to three minutes. It will be

painful but you will feel instant relief in you neck pain.

If the pain persists use Seed Therapy i.e. take methi grains (fenugreek) as it comes from the grocer's shop. Spread the grains on a flat surface. Take a piece of micro surgical tape. Place adhesive side of the tape on the methi grains, press the tape on the grains so that it forms a smooth surface and it will form a plaster. Place the plaster on the thumb as shown.

Methi plaster has to be kept on the thumb for as long as one can keep everyday (at least at time of resting) so that methi will balance the electrical energy deficiency that is causing the pain problem. Change methi grains and the tape every day. The treatment to continue for a few days till problem is over.

BACKACHE

The backache, in lower back area, can be treated in similar manner. Take a coin preferably Five rupee coin (as it has serrations). On the back of the hand, in the area shown by the red line in the picture.



Roll the coin applying slight pressure along the red line. This area will be in between the gap formed by the two.

While rolling you will find certain points that are paining. Mark these points. Shake the coin applying slight pressure on the marked areas It will be painful but you will find warmth in palm area and instant relief in your backache.

You will then realize that there is no medicine in the world that offers such instant relief from pain. You know it, that there cannot be any side effects of this treatment. It costs practically nothing. Even children can perform it.

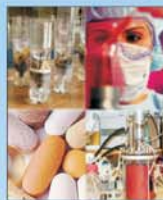
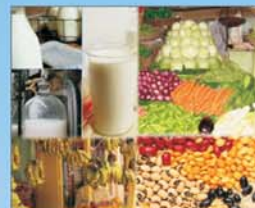
For cure, you will have to repeat the treatment four to five times a day and apply Seed Therapy. Take chick peas (watana) keep them on the tape and place the tape in the area of red line during 10 to 12 rest hours at night. Repeat the treatment every day till you are absolutely fit.

For more information contact:

Lions Club of Mumbai Su Jok, Mayur Villa, Anandrao Devale Road, Juhu, Mumbai 400 049. Tel 022-26206243, Fax 26254476 Cell. 93231 78565, 9322274382.

MIDC.

The singular reason why business blooms in Maharashtra.



Four decades ago, MIDC set itself the task of making Maharashtra a name to reckon with, in terms of industrialization, putting to good use the multiple factors that render the State an attractive and investor-friendly destination.

Today, MIDC can proudly lay claim to the unparalleled success that the State has achieved, in setting up a fine mix of industries, both traditional and sun-rise. From automobiles to chemicals, from manufacturing to petrochemicals, from electronics to food processing, IT and BT, MIDC has made it all possible. Always on the go, MIDC owes its success to a vision that stretches far and wide, with a strong focus on moving ahead of the times. A comprehensive and bold IT policy, and endeavours like the ambitious Mumbai-Pune Knowledge Corridor

figure prominently in the future role of MIDC, as Maharashtra's prime mover.

MIDC. Industrious to the core.

What makes Maharashtra 'Maha'?

- Happiest State in India
- 226 fully functioning industrial areas
- JNPT, India's most modern, automated port with 2 dedicated terminals
- Manufacturing point for over 80% of MUVs in India
- Manufactures nine out of every ten three-wheelers in India
- Churns out about 1,70,000 technical personnel per year



//उद्योगात् सकल समृद्धिः//

MIDC

MAHARASHTRA INDUSTRIAL
DEVELOPMENT CORPORATION
(A Govt. of Maharashtra Undertaking)
Infrastructure @the speed of thought

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Fort Branch : "Orient House", 5th Floor, Adi Marjaban Street, Billard, Fort, Mumbai 38. Tel. : 2261 6547, Fax : (022) 22616548