



Confederation of Indian Industry

Investment Climate in Uttar Pradesh



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- All data is at constant (2004-05) prices unless explicitly stated otherwise
- GSDP stands for Gross State Domestic Product
- CSO data accessed on 18 October, 2012

EXECUTIVE SUMMARY

Uttar Pradesh is one of the largest states in India. Accounting for 7.3 percent of the country's area, it is home to 16.5 percent of Indians. The state contributes 8.1 percent to India's GDP.

A series of recent policy initiatives and focus on infrastructure development, supported by availability of skilled manpower, good resource base and a large consumer market all makes Uttar Pradesh an attractive investment destination.

Advantage Uttar Pradesh:

- New policy initiatives creating favourable policy environment. These include the New Infrastructure & Industrial Investment Policy 2012, In addition, new policies such as Biotech Policy, Food Processing Policy, Solar Policy and Sugar Policy are expected to be announced shortly
- Robust industrial infrastructure including theme parks, export parks & SEZs
- 57 percent of eastern Dedicated Freight Corridor and 7 percent of Delhi-Mumbai Industrial Corridor will pass through the state
- Focus on improving connectivity further through mega road projects, in PPP, such as Yamuna Expressway, connecting Noida with Agra
- Abundant agro resource base. Leading producer of wheat, sugarcane and potato, ranks second in vegetable production and third in fruit production, amongst all Indian states
- Longest network of rivers and canals measuring 31,200 km fostering the agriculture sector¹
- Huge market potential owing to a large domestic consumer base

¹ <http://udyogbandhu.com>



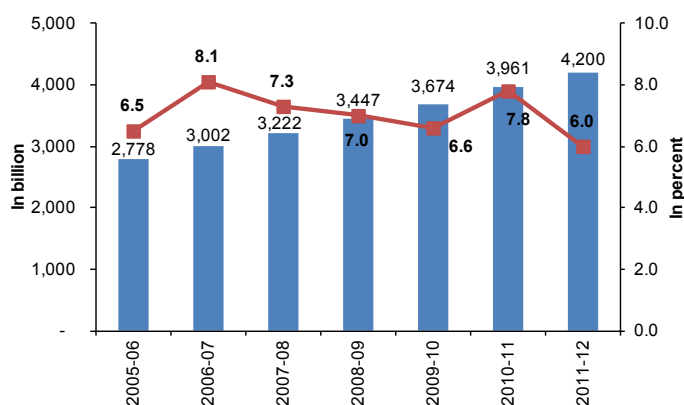
Photo : trackreviewers.com

Economic & Demographic Profile

Economic profile

The GSDP of the state stood at Rs 4,200 billion during 2011- 12 registering a CAGR of 7 percent from Rs 2,608 billion during 2004- 05. The GSDP of the state accounts for 8.1 percent of the national GDP.

Figure 1 : Growth of GSDP of Uttar Pradesh



Source: CSO

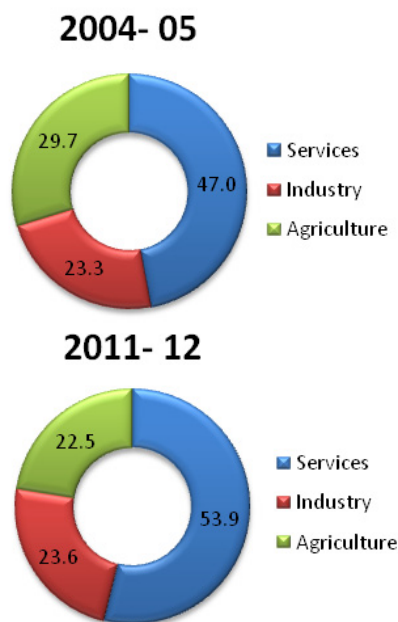
Figure 2 : Key economic facts

Key Economic Indicator (2011- 12)	Value
GSDP	Rs 4,200 billion
Growth in GSDP	6.0 percent
Per Capita Income	Rs 18,099
National Per Capita Income	Rs 37,851

Source: CSO

In terms of structure of the economy, the share of the services sector has increased in line with the national trends.

Figure 3 : Contribution of different sectors towards the economy of Uttar Pradesh



Source: CSO

Demographic profile

Uttar Pradesh is the most populous state of India accounting for 16.5 percent of the country's total population.² The decadal growth rate of population for the state is 20.1 percent as compared to the national growth of 17.6 percent. The density of population of the state is higher at 828 persons per sq km.³

Figure 4 : Key Demographic Indicators (2011)

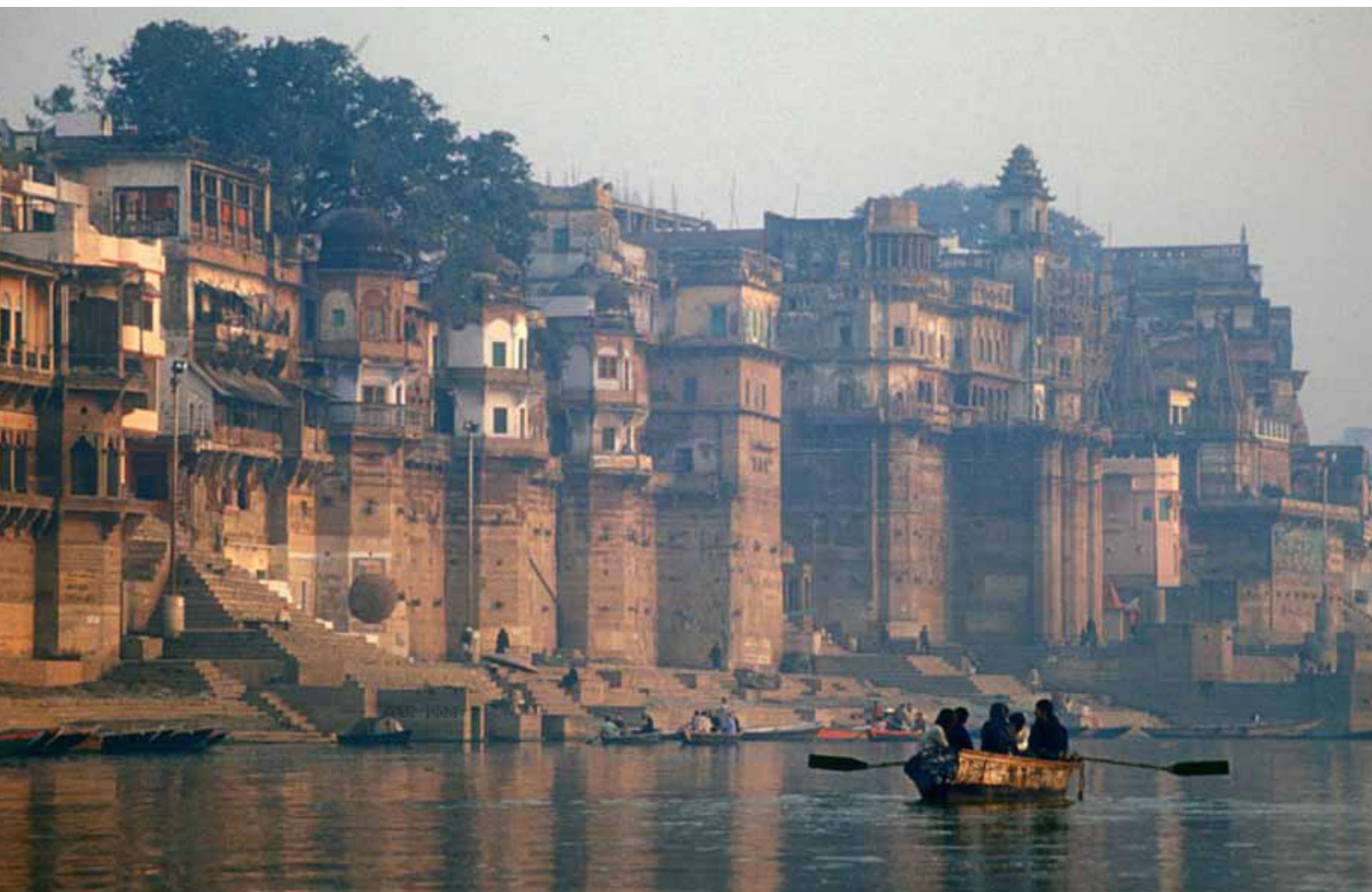
Key Indicators	Value
Population	199.6 million
Population size (Males)	104.6 million
Population size (Females)	95.0 million
Population size (Urban)	44.5 million
Population size (Rural)	155.1 million
Density of population (persons per sq km)	828
Literacy Rate	69.7%
Male Literacy Rate	79.2%
Female Literacy Rate	59.3%
Sex Ratio (females per 1000 males)	908

Source: Census 2011 (Provisional)

² Census 2011 (Provisional)

³ Census 2011 (Provisional)

Photo : uttarpradeshlive.com



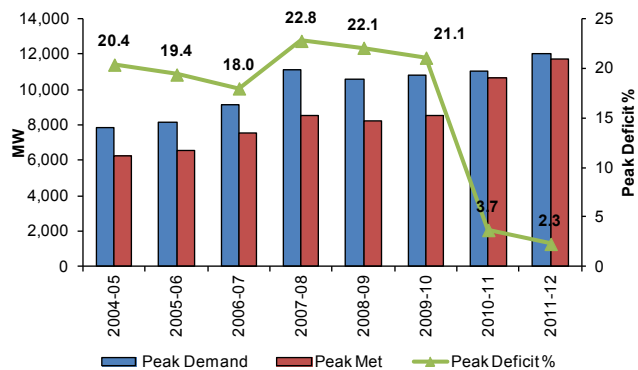
Physical Infrastructure

Power

The state has an installed capacity of 13,683 MW. This includes 5,222 MW under state utilities, 4,933 MW under central utilities and 3,528 MW under the private sector. Of the total installed capacity in the state, the contributions from various sources are:⁴

- Thermal power – 79.1 percent
- Hydro power – 13.3 percent
- Renewable energy sources- 5.1 percent
- Nuclear power – 2.5 percent

Figure 5 : Peak demand – supply position in the State



Source: CEA

During the last few years large scale generation capacity has been added in the state - 4,080 MW during 11th Plan and another 16,000 MW is proposed by the end of the 12th Plan. So far during the first year (2012-13) of 12th Plan 1,000 MW has been added.⁵

The state has also introduced Input Based Franchisee system in Agra to improve the power distribution mechanism.

Roads

The national highway in the state is 7,818 km which accounts for 10.2 percent of the total national highways. All district headquarters to connected by four lane roads⁶.

Figure 6 : Key Road Network

Road Type	Road Length (in km)
National Highways	7,818
State Highways	7,922
Major district roads	7,070
Other district roads	31,238
Village roads	110,195

Source : Public Works Department, Government of Uttar Pradesh, www.nhai.org/statewise1.asp

Railways

The state has 8,763 km of railway network which is the largest in the country. The Delhi Metro Rail links Noida and Ghaziabad with Delhi. There are further plans to increase the connectivity in a phase-wise manner, for which the Ghaziabad Development Authority has signed an MoU with the Delhi Metro Rail Corporation⁷.

⁴ CEA, August 2012; including allocated shares in joint and central sector utilities

⁵ Draft National Electricity Plan for 12th Plan, January 2012; CEA

⁶ Planning Department, Government of Uttar Pradesh

⁷ Indian Railways Year Book 2010-11



Dedicated Freight Corridor

Uttar Pradesh is the biggest beneficiary of eastern Dedicated Freight Corridor project with the share of 57 percent in the total length of 1,839 km⁸. Dadri is the junction point of eastern & western Dedicated Freight Corridors. Dedicated Freight Corridor Corporation of India has proposed to provide rail connectivity to a Logistic Park proposed at Kanpur, which is to be built in PPP mode. While the eastern Freight Corridor will provide connectivity to the eastern coalfields of India – which is very important for thermal power projects, the western corridor will connect the state to the western and southern markets, and the ports as well.

Delhi-Mumbai Industrial Corridor

Delhi Mumbai Industrial Corridor is envisaged along the western Dedicated Freight Corridor. About 150 kms on either side of the western Dedicated Freight Corridor will be developed as DMIC influence area, thus benefitting the industries in the state. DMIC will start from Dadri in Uttar Pradesh which is also the junction point of eastern & western Dedicated Freight Corridors. About 7 percent of the DMIC region will be located in Uttar Pradesh and will cover 12 districts located in the northern part of the state adjoining Delhi with a total area of 36,068 sq km.

Figure 8: Proposed Industrial Projects under DMIC

Proposed Location	Purpose	Phase
Investment Regions (IR):		
Dadri-Noida-Ghaziabad	General Manufacturing	Phase IA
Industrial Areas (IA):		
Meerut-Muzaffarnagar	Engineering/ Manufacturing	Phase IB

Source: DMIC

Airports

The state has 6 domestic airports, located at Agra, Allahabad, Gorakhpur, Kanpur, Lucknow and Varanasi. International flights operate from Chaudhary Charan Singh International Airport, Lucknow and Lal Bahadur Shastri Airport, Varanasi. During 2011-12, Varanasi airport received 747,811 passengers and Lucknow airport received 2 million passengers⁹. Government of Uttar Pradesh has proposed a new airport at Shrawasti in Kushinagar district.

Telecom

Uttar Pradesh has 130.8 million subscribers and an overall teledensity of 60.9.¹⁰

Figure 9 : Key Telecom Indicators

Key Indicators	Value
Subscriber base*	130.8 million
Wireless subscribers	128.7 million
Wireline subscribers	2.1 million

Source: The Indian Telecom Services Performance Indicators (January - March 2012) Telecom Regulatory Authority of India,

*Uttar Pradesh (East) - 76.4 million and Uttar Pradesh (West) - 54.4 million

Wireless and wireline service providers in the state include :

- Bharti Airtel
- Aircel
- Reliance Communication
- Vodafone
- Tata Teleservices
- Bharat Sanchar Nigam Limited

PPP Projects

Agra-Lucknow Expressway

This proposed 8-lane access controlled Green Field Expressway from Agra to Lucknow would provide the smooth journey from Greater Noida to Lucknow via Agra covering about 530 km presently consumes time of around 9 hours. While on construction of expressway from Agra to Lucknow, linking Yamuna Expressway, the journey time will drastically reduce to 5 hours and likewise the 6 hours journey of 365 km between Agra and Lucknow would reduce to around 3.30 hours through this proposed Expressway.

UPEIDA has been nominated as nodal agency for development of expressway. The concept report of the project has been finalized. Bid for selection of consultant for selection of developer has been issued.

Northern Peripheral Road, Ghaziabad

This 4 lane, 20 km long road, would start from Delhi Border (Wazirabad) and would end at Hapur Road. The land requirement for ROW is estimated at 200 ha. Ghaziabad Development Authority has been nominated as nodal agency. Consultant has already been selected for preparation of TEFR, bid document for selection of Developer, etc.

Highways in the State

The State Government through Uttar Pradesh State Highways Authority, an authority set up for maintenance of highways, is undertaking Upgradation/maintenance of state highways in Uttar Pradesh under public-private-partnership mode on Design, Build, Finance, Operate and Transfer ("DBFOT") basis.

Presently, as many as 26 state highways, in the different part of the state have been undertaken by the authority. The authority is planning for early implementation of these state highways.

The developers for 4 state highways containing length of 484 km long, have been selected. The consultant for the remaining projects has already been selected for carrying out feasibility and Viability study for these projects taking VGF into considering.

⁸ Dedicated Freight Corridor Corporation of India

⁹ Traffic News, March 2012, Airport Authority of India

¹⁰ Includes Uttar Pradesh (East & West) and Uttar Pradesh (West includes Uttarakhand); The Indian Telecom Services Performance Indicators (January - March 2012), Telecom Regulatory Authority of India

Power Sector

Generation

To meet out the shortfall in availability of power, in addition to Bara and Karchhana power generation projects at Allahabad district, Thermal Power Plants at Lalitpur Kanpur Dehat, Chitrakoot, Barabanki, and Hardoi & Mirzapur are at various stages of implementation. Dopaha (3x660MW) in Sonbhadra district and Jawaharpur (2x660MW) in district Etah are under active consideration. The consultant for Dopaha, and Jawaharpur Thermal Power Plants has been selected and bidding process for selection developer is at its various stages.

Transmission

UPPTCL has planned to construct the 765kv & 400kv sub-stations along with associated transmission lines to evacuate power from proposed Anpara-D (2x500MW), Bara (3x660MW), Karchhana (2x660MW) & Meja (3x660MW) thermal power house and to wheel them to diverse load centers concentrated mainly in central & western part of Uttar Pradesh. The transmission projects worth Rs 101.7 billion have been awarded under PPP mode on BOOT basis. Developer has been selected for package-I and package II and LOI has already been issued to the developers.

Taj International Airport

GoUP has planned to develop an airport of international level to meet out the urgent need to cater domestic and foreign tourists. Department of Tourism is acting as nodal agency. The said airport is proposed to be developed Public Private Partnership mode on DBFOT basis. The consultant for the project has been selected.

Figure 11 : Projects Implemented on PPP mode

S.NO.	Name of the department	No. of Projects	Estimated project cost (Rs in billion)
1	Yamuna Expressway Development Authority	1	103.7
2	Urban Development-Solid Waste Management	8	2.2
3	Information Technology and Electronics (11759 CSC)	1	1
	Total	10	106.9

Source: Government of Uttar Pradesh

Figure 10 : Proposed investment through PPP projects

S.NO.	Name of the department	No. of Projects	Estimated project cost (Rs in billion)
1	Yamuna Expressway Development Authority	1	103.7
2	U.P. Expressways Industrial Development Authority	9	873.6
3	Housing and Urban Planning	3	7.4
4	UP State Highways Authority	19	121
5	U.P. Power Corporation Ltd.	19	1111.1
6	Energy-UP Jal Vidyut Nigam Ltd.	10	3.6
7	Non Conventional Energy	11	1.2
8	Tourism	7	9.2
9	Urban Development	31	13.2
10	Transport	2	46.6
11	Information Technology and Electronics (17909 CSC)	1	1.5
	Total	113	2,292

Source: Government of Uttar Pradesh

Social Infrastructure

Health

Uttar Pradesh has a vast network of health facilities and has undertaken commendable efforts to strengthen its health infrastructure. A sum of Rs 50 billion was allocated for enhancing medical and health infrastructure in the Annual Budget of Financial Year 2011-12.

Figure 12 : Key health infrastructure

Key Indicators	Number
Hospital and Dispensaries	7,040
Community Health Centres	737
Primary Health Centres	3,693
Sub Centres	22,386

Source: Planning Department, Government of Uttar Pradesh

The total number of allopathic hospitals and dispensaries increased to 4,771 in 2011 from 4,595 in 2007. A substantial increase was witnessed, in number of beds, in allopathic hospitals from 48,283 in 2007 to 71,668 in 2011.

Number of hospitals and dispensaries on per 100,000 of population is 0.43 in UP and 1.1 in India on 1st January 2010. Number of beds in hospitals and dispensaries on per 100,000 of population is 28.2 in UP and 48.5 in India on the same date.¹¹

The state also has 2,370 Ayurvedic hospitals and Unani hospitals.¹²

Figure 13 : Key Health Indicators

Key Indicator	Value
Birth Rate	28.3
Death Rate	8.1
Infant Mortality Rate	61

Source: Sample Registration System, December 2011

Note: * per 1000 population

** per 1000 live births

Education

The state has 146,568 primary schools with 343,000 teachers and 52,155 upper primary schools with 139,000 teachers having total enrolment of 37.1 million.¹³ In terms of secondary education the state has 16,510 higher secondary schools with 213,000 teachers.¹⁴

The state has 30 universities and 3,166 degree colleges.¹⁵

Some of the prestigious academic institutions in Uttar Pradesh include:

- IIM (Indian Institute of Management), Lucknow
- IIT (Indian Institute of Technology), Kanpur
- Aligarh Muslim University, Aligarh
- NIT (National Institute of Technology), Allahabad
- IIIT (Indian Institute of Information Technology), Allahabad
- Banaras Hindu University, Varanasi

In the Annual Budget 2011-12, a sum of Rs 191 billion was earmarked for basic education, Rs 68.5 billion for secondary education and Rs 21.5 billion for higher education, about 19.6 percent higher than the allocation made in the Budget 2010-11.

¹¹ Government of Uttar Pradesh

¹² Ministry of Health and Family Welfare

¹³ Economic Survey of Uttar Pradesh, 2009-10

¹⁴ Economic Survey of Uttar Pradesh, 2009-10

¹⁵ Planning Department, Government of Uttar Pradesh

Industrial profile

Uttar Pradesh State Industrial Development Corporation (UPSIDC) and the Department of Infrastructure & Industrial Development are nodal agencies for the development of industrial infrastructure in the state. Udyog Bandhu is an industrial development agency which facilitates investment, operation and establishment of industrial undertakings in the state.

The abundant resources, policy incentives, availability of workforce, large consumer markets and infrastructure in the state make it an attractive investment destination. Some of the important sectors in the state include agro-based and food processing, light engineering goods, sports goods, textiles, leather-based goods, IT & ITeS, tourism and biotechnology.

The industrial landscape of the state is dominated by MSMEs. Some of the leading MSME clusters in the state include Moradabad which is the largest brass & silver handicrafts manufacturing & export centre of India, ceramic cluster at Khurja, leather goods cluster at Kanpur, sports goods cluster at Meerut, carpet cluster at Bhadohi, silk cluster at Varanasi; foundry, leather footwear and mechanical engineering equipment clusters at Agra; brass & gun metal statue and locks clusters at Aligarh, glass products cluster at Firozabad and woodwork cluster at Saharanpur.

A part of the Delhi-Gurgaon-Noida-Ghaziabad auto-clusters is situated in Western Uttar Pradesh. Resultantly, a number of original equipment manufacturers and auto component suppliers have setup their base at Noida and Ghaziabad in Uttar Pradesh. Noida has also emerged as a hub for electronic goods, toys, electrical equipment and garments.

Cement is another important sector in the state, producing about 7 million tonnes per annum. Uttar Pradesh ranks 9th in the country in terms of cement production.¹⁶ Due to large scale availability of sugar, the state is the largest producer of sugar in India

Majority of the IT/ITeS companies in Uttar Pradesh are located in Noida and Greater Noida, due to the proximity to Delhi and availability of talent pool. There are 5 operational SEZs in Noida and Greater Noida, of which 3 are primarily, dedicated to IT/ITeS industries. 18 SEZs have been notified for IT/ITeS industries in the state.

The potential of agro based industry in the state is large. The state is a leading agri producer in the country. It is the leading producer in wheat, sugarcane and potato. It contributes about 19.7 percent to the country's total food grain production (2010-11) and 34.5 percent to the country's total sugarcane production. It accounts for about 40 percent of the potato production of the country.

The sugarcane is produced in 44 districts of the state and of these districts, 28 districts are the major sugarcane producing districts. There are 125 operational sugar mills running in the state.

Similarly, the state ranks second and third in vegetable and fruit production, respectively. Major fruits grown in the state include mango (leading state in India in terms of production), guava (ranked fourth in India), banana and litchi. The overall productivity of fruits in the state is 12.1 tonnes/hectares against national average of 11.9 tonnes/hectares¹⁷.

The state is the largest milk producer in India with a total production of 19.5 million tonnes. It accounts for more than 18 percent of the total milk production in the country. It has the highest buffalo population and second highest cattle population in India.¹⁸ The large livestock population provides raw material for the leather industry in the state.

Tourism is another important sector for the state. One of the major attractions is the "Taj Mahal" located in Agra and counted among the Seven Wonders of the World. The other prominent tourist and historical destinations are Varanasi, Piprahwa, Kaushambi, Shravasti, Kushi Nagar, Agra, Lucknow, Chitrakoot, Jhansi, Allahabad, Vrindavan and Meerut. The state received 155.4 million domestic tourists (18.3 percent of all domestic tourists) and 1.9 million foreign tourists (9.7 percent of all foreign tourist visiting India) during the year 2011.¹⁹ In terms of foreign tourists arrival, the state was ranked at 4th place and in terms of domestic tourists ranked 1st among all the states.

Key Sectors in the state include manufacturing, auto and auto components, consumer goods, sugar, IT/ITeS and hospitality.

¹⁶ Cement Manufacturers Association

¹⁷ Annual Plan 2011-12, Uttar Pradesh

¹⁸ Economic Survey of Uttar Pradesh, 2009- 10

¹⁹ Tourism Statistics, Ministry of Tourism, Government of India, 2011

Land Availability

Industrial Land

Uttar Pradesh has developed many SEZs, Industrial Clusters, Information Technology Parks, and Agro Parks in order to promote investments and to boost industrialization in the state.

The state has robust industrial infrastructure, including 15 industrial areas, 12 specialized parks, 4 growth centers and Industrial Infrastructure Development Centres. The state has proposed 40 IT/ITeS parks (apart from IT SEZs), 2 biotech zones and a knowledge park. Development of integrated agro/food processing zones has been proposed at Hapur. Integrated logistics hub (free-trade warehousing zones) has been proposed in collaboration between IL&FS, Mineral and Mining Trading Corporation and Mitsui (Japan). The Greater Noida Phase-II has 19 percent land reserved for industrial use.

- Special Economic Zones: 21 SEZs have been notified, formal approval to 34 SEZs and in principle approval to 1 SEZ has been granted by the Government of India. In all 56 SEZs proposals have been recommended by the state government. Eight SEZs are functional out of which six have been developed in the private sector.

Moradabad Special Economic Zone, a sector specific SEZ for handicrafts has been developed over 467 acres in Moradabad.

- Integrated Industrial Development Centres & Growth Centres: have been developed at (Kosi Kotwan) Mathura, Etah, Banthar (Unnao), Baghpat, Masuri Gulawati (Ghaziabad), Kursi Road (Barabanki) and Chandauli (Varanasi) in 4 areas of 50 acres approximately each, under Central Government Scheme. In addition to these Growth Centres have been developed at Shahjhanpur, Jainpur (Kanpur Dehat), Jhansi, Dibiypur (Auraiya).
- An Integrated Industrial Township – Tronica City- has been developed over 1,600 acres land in Ghaziabad.
- Theme Parks: Sector specific parks are being developed in the state
 - » 2 Export Promotion Industrial Parks have been developed by UPSIDC on 200 acres at Gautam Budh Nagar and at Agra on 100 acres land, where high grade infrastructure facilities have been provided.
 - » Leather Technology Park has been developed at Banthar, Unnao on 232 acres to house leather tanneries and leather goods units. Apart from this one more leather park has been proposed at Sandila Hardoi.
 - » 2 Agro Parks (over 180 acres of land) have been developed at Lucknow & at Varanasi for agro and food processing industry with specialized Infrastructure facilities including multi chamber cold store with controlled atmosphere facility and washing-sorting-grading line.
 - » UPSIDC has set up Apparel Parks at Tronica City, Ghaziabad and Textile & Hosiery Park at Rooma district Kanpur with

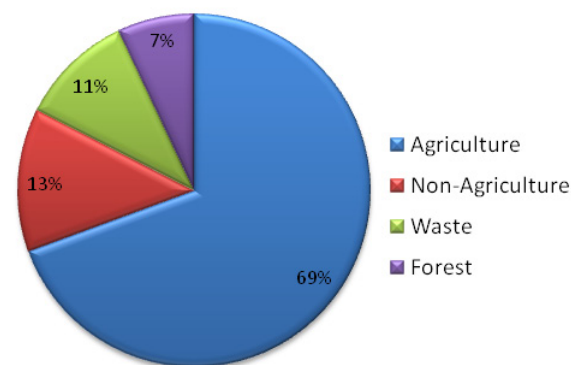
industry specific infrastructure, textile training centre, fashion design centre, and quality control laboratory.

- » Lucknow will have an IT Park (LIDA) with an estimated cost of Rs 2.85 billion spread over 130,000 sqm area. Another 150 acres of land has been allocated for IT city at Lucknow. IT Park and IT City is also proposed at Agra.
- » Plastic city is likely to be developed over 300 acres in Dibiypur industrial area.

Agricultural Land

Uttar Pradesh has a geographic area of 29.4 million hectares which is about 9 percent of the land area of the country. The state is fed by 5 major rivers namely the Ganga, the Yamuna, the Ramganga, the Gomti and the Ghaghra making it the one of the most fertile land areas, fostering agriculture growth.

Figure 14 : Land Utilisation Pattern in Uttar Pradesh



Source : <http://planningcommission.nic.in>

Manpower Availability

The state has abundant unskilled, semi-skilled and skilled workforce. The state will account for 23 percent of the incremental increase in total population of the country out of which the share of the working population in the age-group 15-59 years of the state would be 21.9 percent as per population projections for 2021.²⁰

To prepare the young force for industry, a Skill Development Mission was launched in the state in 2009 to align the skilling initiatives with the industry manpower needs.

Currently, the state has 1,250 ITIs/ITCs with a total seating capacity of 1,46,474.

Figure 15 : ITIs/ITCs (January 2012)

Institutes	Numbers
Number of Government ITIs	314
Seating Capacity	32,364
Number of Private ITCs	936
Seating Capacity	1,14,110
Total ITIs/ITCs	1,250
Total Seating Capacity	1,46,474

Source: Directorate General of Employment & Training (DGET), Ministry of Labour & Employment, Government of India

²⁰ India Labour Report 2009, A Report by TeamLease and IJT

State Policies and Incentives

In order to attract investment into the various sectors of the state and contribute to the development of the economy as a whole, the Government of Uttar Pradesh has undertaken several policy measures. These policies provide a roadmap and attempt to boost the industrial climate and remove various road blocks which hampered the industrial expansion of the state. These policy documents also encompass investment incentives and schemes for investors.

Please refer to Annexure, for various policies in place in Uttar Pradesh.

Single Table Clearance System

Nivesh Mitra has been envisaged as a simple, user friendly, entrepreneur centric web application that enables existing & prospective investors and entrepreneurs to get online clearances/NOC's from concerned department with ease and minimal "running around".

Udyog Bandhu acts as the nodal agency for implementation of 'Nivesh Mitra', a web based online facility for entrepreneurs desirous of setting up an enterprise in UP.

Nivesh Mitra acts as a seamless interface, aimed to facilitate faster and time bound issuance of various approvals needed by entrepreneur desirous of setting up of an enterprise in U.P. It provides a hassle free and user friendly platform between existing & prospective investors and entrepreneurs and various departments to ensure faster and time bound issuance of various approvals.

Entrepreneurs setting up small, medium & large scale industry have to file application forms mandatorily through this system. Nivesh Mitra provides the facility of online submission and updating of all forms required for various approvals by the entrepreneurs.

Nivesh Mitra is functional in all districts of the state and is mandatory for small, medium and large scale enterprises, while it is optional for micro industries. The facility is available for applying for clearances from 12 departments viz. Directorate of Industries, Power, Pollution, Food, Drug, Electrical Safety, Fire Safety, Excise, Forest, Commercial Tax, Labour & Factories.

Investments in the State

The state received industrial investment proposals amounting to Rs 2,616.2 billion during the period August 1991 to May 2012. During the year 2011 the state has attracted investment intentions of Rs 436.7 billion.

Figure 16 : Investment Intentions in the state

Year	Numbers Filed	Proposed Investment (Rs billion)	Share of state in Northern Region proposed investments (percents)	Proposed Employment (Nos)
2009	176	101.4	19.3	41,010
2010	168	137.9	18.7	45,416
2011	163	436.7	43.9	29,346
2012(May)	55	24.0	9.9	11,870

Source: SIA Statistics, Department of Industrial Policy and Promotion, Ministry of Commerce & Industry

Note: Investment in terms of Industrial Entrepreneur Memoranda (IEMs) filed, Letters of Intent (LOIs) issued and Direct Industrial Licenses (DILs) issued

Northern Region includes the states of Delhi, Haryana, Himachal Pradesh, Jammu & Kashmir, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand and UT Chandigarh

Foreign Direct Investment

According to the Department of Industrial Policy & Promotion, the cumulative FDI inflows from April 2000 to July 2012 amounted to US\$ 330 million (including Uttarakhand). However, it does not include FDI data reported in RBI New Delhi office. For the period April 2012 to July 2012, FDI inflows amounted to US \$ 13 million²¹.

²¹ Department of Industrial Policy and Promotion, Government of India



LOOKING AHEAD

With focus on infrastructure and industry, the investment activity in Uttar Pradesh has been gathering momentum over the past few years. The state has attracted more than Rs 463 billion²² industrial investment proposals in the past few years. PPP model has also been adopted by the state in various sectors like Road Sector, Power Sector and Urban Rejuvenation such as Yamuna Expressway. Uttar Pradesh proposes to bring investment through PPP mode worth Rs.2,182 billion in the 12th Five Year Plan.²³

The industrial policy of the state focuses on agro & food processing industries, biotech, tourism, energy and Information Technology. In the services sector, IT, tourism and banking are the important areas. The state has emerged as a hub for IT-ITES industries including software, captive business process outsourcing

and electronics. The state also offers huge potential in sectors like agriculture, food processing, skilling, textiles, leather-based and mineral-based industries.

Its young population, improving education infrastructure, initiatives like the Nivesh Mitra all add to the investment appeal of the state.

The proposed eastern Dedicated Freight Corridor with about 57 percent of the corridor passing through the state will facilitate Uttar Pradesh get easier access to seaports in West Bengal and also the eastern coal fields of India. The Delhi Mumbai Industrial Corridor planned along the alignment of western Dedicated Freight Corridor will provide further impetus to trade and investment in the state. In addition, the state has implemented a number industrial

infrastructure projects, including export zones, theme parks and SEZs.

The state itself is an attractive market accounting for 16.5 percent of the country's population.

²² http://udyogbandhu.com/DataFiles/CMS/file/energy_policy_2009.pdf

²³ Planning Department, Government of Uttar Pradesh

Annexure : Policies

New Infrastructure & Industrial Investment Policy 2012

In view of major transformation of industrial environment globally and within the country, Government of Uttar Pradesh has approved and announced new Infrastructure and Industrial Investment Policy-2012 with an objective of attaining the target of 11.2 percent industrial growth in Uttar Pradesh.

Significantly, to make policy execution transparent and effective all supporting Government Orders, Notifications, amendments in Acts, rules and regulations have been made part of policy document.

Detailed Policy is available at <http://udyogbandu.com>

Uttar Pradesh IT Policy 2012²⁴

In the fast paced technology sector such as Electronics and Information Technology, the characteristics which underpin the industry and services are fast technological developments, reducing business cycle times, just-in-time and time to market.

Key features:

- Interest Subsidy : 5 percent p.a for a period of 5 years on the rate of interest on loan obtained from Bank/FIs would be reimbursed subject to a maximum of Rs 10 million per annum per unit
- Stamp Duty : 100 percent exemption of stamp duty on purchase/lease of land/office space/ building
- VAT : IT units having Capital investment of Rs 50 million or above would be allowed Interest free loan equivalent to the amount of VAT and Central Sales Tax deposited every year for a period of 10 years, or 10 percent of annual sales, whichever is lower
- Provision For Land : Land at rebate of 25 percent of prevailing rates at Tier II and Tier III cities; Additional FSI :100 percent in TIER II/ TIER III cities
- Industrial Promotion Subsidy : Subsidy equivalent to 50 percent of incentives admissible for new units would be admissible to existing units if additional capital investment is made for capacity enhancement to an extent of 50 percent or more in a period of three years in Tier II/Tier III cities
- Plant and Machinery for Captive Power Generation : Captive Power Generation Plants having minimum capacity of 3 MW, and distributing the Power only within IT/ITeS/Mega Investment Unit zones will be deemed as IT/ITeS units and they would get the incentives available for IT/ITeS units
- Incentives on Case to Case basis : Projects proposed above Rs 2 billion shall be considered for special incentives decided by the Empowered Committee
- Employment Generation : 50 percent incentive on expenditure on account of contribution towards Employee Provident Fund and Employee State Insurance schemes units employing at least 100 employees and retaining at least 75 percent locals for a period of 5 years, subject to a maximum of 25 percent of Fixed Capital Investment
- Single Window Clearance : A Government Body under Chairmanship of Principal Secretary, IT & Electronics, UP for clearances like Pollution, Power Allocation etc
- Uninterrupted Power Supply : IT units setup in IT Cities / IT Parks on Independent Feeder shall be provided uninterrupted power supply from State Utility. The cost of provision of separate Feeder from the Transmission sub station will be borne by the Unit/IT City/ IT Park
- IT Corpus : Each Department shall earmark a minimum of 2 percent or as per directions of Government of Uttar Pradesh from time to time of its Plan budget for IT applications

²⁴ Government of Uttar Pradesh

Energy Policy 2009²⁵

Uttar Pradesh Energy Policy 2009 is structured with consumers as the focal point & aims at fulfillment of the overall need for universal access and for providing reliable, quality & affordable power.

Key features:

- Access to electricity to all households in next 5 years
- Power demand to be fully met by 2014. Energy and peaking shortages to be overcome and adequate spinning reserve to be available
- Supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates
- Per capita availability of electricity to be increased to over 1,000 units by 2017
- Financial turnaround and commercial viability of electricity sector thereby reducing the financing burden on the state over a period of time while recognizing the fact that during the initial transition period, state support would be a key determinant for the success of entire exercise
- To increase the availability of power by
 - A. encouraging augmentation of environment friendly generating capacity
 - B. sourcing competitive and reliable bulk power from sources both within and outside the state
 - C. encouraging developers to enter into MoU for generation and supply of power to the state in cases where the developer has tied up or has taken steps to tie up coal, water and has arranged land on his own or with the help of the state government.
- Optimization of generation of existing plants by putting up additional units, through renovation and modernization or by changing configuration of machines in case of plants under commissioning or by allowing alternative fuel for seasonal generating units particularly those based on bagasse or bio mass
- To augment the transmission and distribution capacity and refurbish the existing capacity with a view to improving efficiencies, reliability & quality of supply and reducing losses
- To facilitate consumers benefiting from competition & towards this end encourage private sector participation in all areas viz. generation, transmission, distribution, trading and R&M
- To support the Uttar Pradesh Electricity Regulatory Commission with all policy and other administrative measures with a view to ushering in a rationalized tariff framework with efficient distribution of subsidies

²⁵ http://udyogbandhu.com/DataFiles/CMS/file/energy_policy_2009.pdf

This report has been made by KPMG in India for CII.



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Reviving Economic Growth
Reforms & Governance



Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the growth of industry in India, partnering industry and government alike through advisory and consultative processes.

CII is a non-government, not-for-profit, industry led and industry managed organisation, playing a proactive role in India's development process. Founded over 117 years ago, it is India's premier business association, with a direct membership of over 7100 organisations from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 90,000 companies from around 250 national and regional sectoral associations.

CII catalyses change by working closely with government on policy issues, enhancing efficiency, competitiveness and expanding business opportunities for industry through a range of specialised services and global linkages. It also provides a platform for sectoral consensus building and networking. Major emphasis is laid on projecting a positive image of business, assisting industry to identify and execute corporate citizenship programmes. Partnerships with over 120 NGOs across the country carry forward our initiatives in integrated and inclusive development, which include health, education, livelihood, diversity management, skill development and water, to name a few.

The CII Theme for 2012-13, 'Reviving Economic Growth: Reforms and Governance,' accords top priority to restoring the growth trajectory of the nation, while building Global Competitiveness, Inclusivity and Sustainability. Towards this, CII advocacy will focus on structural reforms, both at the Centre and in the States, and effective governance, while taking efforts and initiatives in Affirmative Action, Skill Development, and International Engagement to the next level.

With 63 offices including 10 Centres of Excellence in India, and 7 overseas offices in Australia, China, France, Singapore, South Africa, UK, and USA, as well as institutional partnerships with 223 counterpart organisations in 90 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry

The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road, New Delhi – 110 003
(India)
T: 91 11 24629994-7 • F: 91 11 24626149
E: info@cii.in • W: www.cii.in

Plot A, Vibhuti Khand
Gomti Nagar
Lucknow - 226 010 (Uttar Pradesh)
Tel : 0522-2721950 - 52
Fax : 0522-2721953
gajendra.verma@cii.in