

INDIAN STATES  
Economy and Business

# Rajasthan



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## Executive Summary

Rajasthan's strategic location as the corridor between the wealthy north and the prosperous west enables it to provide convenient access to the two largest consumer markets in India.

The state's key areas of strength include mineral based industries, textile, tourism and gems & jewellery. Rajasthan enjoys a distinct advantage in these sectors. It is also the leading producer of cement and metals such as copper, zinc and lead and the largest producer of marble and stones in the country.

Tourism accounts for over 15 per cent of the state's economy. It attracts over 10 per cent per cent of the foreign tourists visiting the country every year.

Recent discovery of oil and gas in Rajasthan is expected to lead to the development of downstream industries in petroleum and chemicals. Reforms in the electricity sector in the state are one of the most advanced in the country. Rajasthan is the first state in the country to permit "open access" in its electricity supply market.

## ■ Industrial Centres in Rajasthan



## An Economic Snapshot

<i>Capital</i>	Jaipur
<i>Area (sq km)</i>	342,239
<i>Population (Census 2001, million)</i>	56
<i>Literacy Rate (%)</i>	61
<i>Human Development Index</i>	0.424 (All India rank 9th)
<i>NSDP (US\$ billion)</i>	11.5
<i>NSDP growth (10 years) (%)</i>	6
<i>Per Capita Income (US\$)</i>	327
<i>Exports (US\$ million)</i>	965
<i>National Highways length (km)</i>	4,081
<i>Rail Length (km)</i>	5,894
<i>International Airport</i>	Jaipur
<i>Domestic Airport</i>	Jodhpur, Udaipur
<i>Key Industries</i>	Mineral based industries Textiles Tourism Gem and jewellery Dimensional stones (marble and granite) Agro-processing
<i>Potential Industries</i>	Oil and gas IT and ITES Electricity generation and distribution

## **Advantage Rajasthan**

- Leading producer of cement in the country
- Second largest mineral producing state in the country, large reserves of metallic and non-metallic reserves
- Among the largest producers of cotton and wool in the country
- A well known tourist destination
- One of the most progressive states in electricity sector reforms
- Recent discovery of oil and gas reserves
- Emerging destination for IT and ITES industries

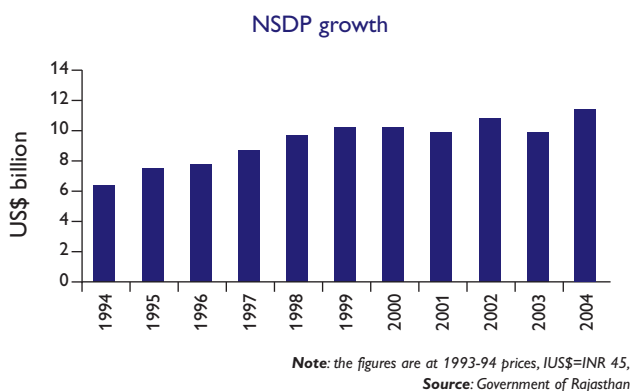


## THE STATE ECONOMY

With a Net State Domestic Product (NSDP) of over US\$ 11.5 billion, Rajasthan's economy is the eighth largest in the country.

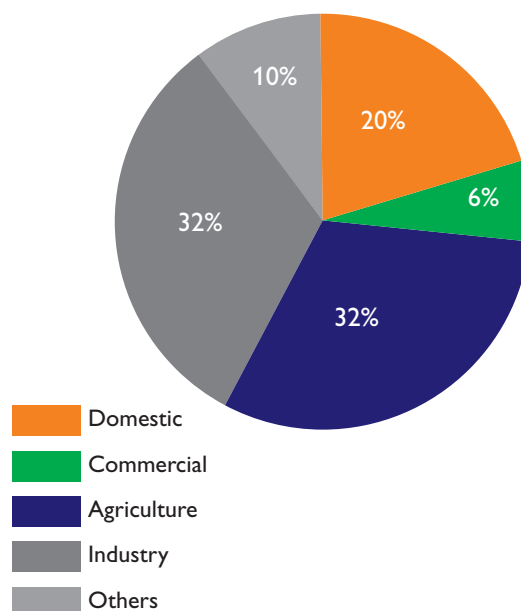
Geographically the largest state of the union, its location provides a significant strategic advantage to the state. It enjoys convenient access to the wealthy north and the prosperous west, the two largest consumer blocks within India.

During the decade between 1994 and 2003, the state's NSDP grew at a Compounded Average Growth Rate (CAGR) of 6 per cent, increasing from US\$ 6.4 billion to US\$ 11.5 billion.



Rajasthan's per capita income stood at US\$ 327 in 2003-04. The overall economic performance of the state has been good during the last decade despite the drought situations in some of the years.

Composition of electricity consumption



During 1995-96 and 2001-02, while the industrial sector has grown at 6.9 per cent per annum, the growth rate of services was 7.4 per cent during the same period. Among services, the share of trade and tourism in state's GSDP stands at over 16 per cent.

# INFRASTRUCTURE

## Social infrastructure

Rajasthan has achieved significant progress in improving its social infrastructure over the years reflected in the 9th rank as per the Human Development Index.

Population of over 56 million (Census 2001) makes it the eighth largest state by population. Its population density at 165 persons per sq km is the lowest among the large states in the country. The population growth rate in Rajasthan stood at 28 per cent during 1991-2001, which is higher than the national growth rate of 21.3 per cent during the same period. The urban population in Rajasthan stood at 132 million, representing over 23 per cent of the total.

### Education

Rajasthan's education network consists of 9 universities and over 250 colleges, along with 55,000 primary and 7,400 secondary schools. The literacy rate grew from 38 per cent in 1991 to over 61 per cent in 2001.

The state has 41 engineering colleges with an annual intake of over 11,500 students. It also has 23 polytechnics and 152 Industrial Training Institutes (ITIs), providing vocational training to students. The LN Mittal Foundation (belonging to the Ispat International group) has recently established the LNM Indian Institute of Information Technology at Jaipur to impart technical education in the fields of IT, communication, electronics and emerging technologies. This network of educational institutes makes available a pool of qualified professionals to the businesses and industries located in Rajasthan.

A total of seven medical institutes in Rajasthan offer over 700 seats annually for pursuing medical degrees. In addition, 28 pharmacy institutes with annual intake

of 1,600 students are functioning in Rajasthan. The state also has 26 management institutes, with an annual intake of 1,460 students.

The network of health facilities in the state comprises 120 hospitals and 1,800 health centres. The number of in-patient beds in Rajasthan's hospitals is 39,000.

## Access infrastructure

The total length of roads in Rajasthan stands at over 140,000 km. The length of surfaced roads in the state has increased from 65,000 km in 1993 to over 89,000 km by 1999.

Year	1993	1995	1997	1999
Total length (in km)	125,797	130,085	129,608	140,856
Surfaced length (in km)	65,570	69,576	76,747	89,378

Source: Ministry of Road Transport and Highways, GoI

Rajasthan's road density stands at 41.2 km per 100 square km, as against the national average of 76.8. This is mainly due to a large proportion of desert area in the state.

The total length of national highways passing through the state is 4,597 km. This includes the highway connecting Delhi and Mumbai, India's two main business and commercial centres. Under the on-going National Highway Development Programme (NHDP), a length of 1,280 km is being converted into 4-6 lane highways. Of this, over 300 km has already been up-graded.

Rajasthan has benefitted significantly from the on-going highway development programme which involves developing of a high-quality highway corridor linking Delhi and Mumbai, the two most prominent business centres in the country.

The state has also been a pioneer in promoting private investment in development of highways, with implementation of projects on Build-Operate-Transfer (BOT) basis. Till date, the state has completed ten BOT projects aggregating 150 km with investment of over US\$ 25 million. Further 11 projects with investment of over US\$ 10 million are under implementation. Prominent private investors in BOT road projects in Rajasthan include GVK Group and Transport Corporation of India.

The total length of railway network in the state is 5,894 km. Of this, almost 500 km is electrified track. At present, a large proportion of the existing railway network is based on metre gauge. Indian Railways is implementing a major track modernisation programme to convert existing metre gauge routes to broad gauge. With the completion of this programme, the broad gauge network will account for over 55 per cent of the total railway network. At present, projects aggregating 450 km are under implementation. In addition, Indian Railways is also implementing three projects for new railway lines aggregating 250 km.

To overcome the lack of a seaport in the state, Rajasthan is planning a “dry port” at Alwar. The project, expected to cost around US\$ 40 million, shall be implemented through Public Private Partnership.

Recently, the state has announced plans for upgrading the state highways linking the already upgraded national highways, with an investment of over US\$ 200 million.

Rajasthan has full fledged airports at Jaipur, Jodhpur and Udaipur, the three prominent commercial and business centres and key tourist destinations. In addition, air strips / helipads exist at a number of locations. The number of passengers handled at Jaipur and Udaipur airports was 419,169 in 2003-04, as against 366,833 in 2001-02. Jaipur airport was awarded the ISO 9001:2000 certification for its quality management systems in 2003.

Airport	2001-02	2002-03	2003-04@
Jaipur	228,872	289,934	244,724
Udaipur	137,961	153,678	174,445
Total	366,833	443,612	419,169

@Annualised

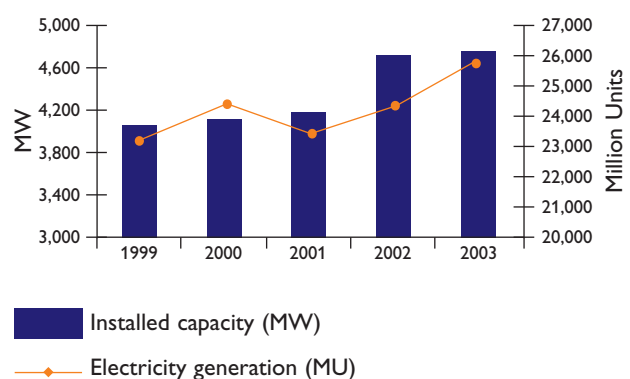
Source: Airports Authority of India

Rajasthan is implementing the Rajasthan Urban Infrastructure Development Project (RUIDP) with assistance from the Asian Development Bank (ADB). RUIDP covers the six largest cities (Ajmer, Bikaner, Kota, Jaipur, Jodhpur and Udaipur), which are also the most important commercial and business centres of the state. The combined population of these six cities is over 5.3 million, representing 40 per cent of the total urban population of the state. The US\$ 362 million RUIDP is aimed at improving urban infrastructure and strengthening public services delivery systems in these cities. Services to be covered by the project include water and sewerage, urban transport and solid waste management.

## Power

The installed electricity generation capacity of Rajasthan is 4,547 MW. In addition, Rajasthan also has an estimated 1,300 MW of captive generation capacity. A large proportion (72 per cent) of the state's electricity generation capacity is based on thermal energy.

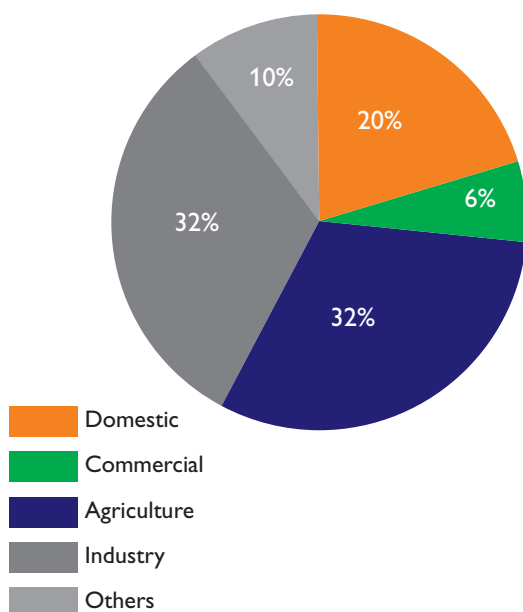
Electricity generation



Source: Government of Rajasthan

The consumption of electricity increased from 7,990 million units to over 14,200 million units in 2001-02, thus indicating an average annual growth rate of over 7 per cent. Agriculture and industry represent the largest consumer categories, followed by domestic consumers.

Composition of electricity consumption



On a per capita basis, electricity consumption in Rajasthan stands at 334 kWh per annum, lower than the national average of 355 kWh per annum.

The following projects are in various stages of implementation, aggregating 975 MW capacity.

Project	Capacity (MW)
<b>Under implementation</b>	
Ramgarh gas power project – extension	75
Suratgarh thermal power project – Unit V	250
Kota thermal power station – Unit VI	195
<b>Planned</b>	
Girna lignite thermal project	125
Dholpur gas power project	330
<b>Total</b>	<b>975</b>

## Communications infrastructure

The number of fixed wire telephone subscribers in the state has grown from 0.4 million in 1995 to 1.6 million in 2002.

Year	1995	1997	1999	2001	2002
Fixed wire telephones (in '000)	394	608	927	1,326	1,591

Source: CMIE

The growth in cellular mobile telephony has been equally strong. Since its launch in 1999, the number of subscribers has increased to over 770,000 in 2004.

## Industrial infrastructure

Rajasthan has a network of almost 300 industrial estates developed by RIICO. These are spread across the state, with many of them focused exclusively on high growth industries such as gems & jewellery, apparels, agro-processing and bio- technology.

These estates provide good quality infrastructure support to units locating there, including uninterrupted electricity and water supply, sewerage and common roads.

### Jaipur

Jaipur is the capital of Rajasthan and its largest city. It has a population of approximately 2.3 million. It is well connected to Delhi and other major cities across India. Its international airport offers direct flights to South-east Asia and the Middle East, as well as to many other cities across India. It is a prime destination for domestic and foreign tourists in the country.

Jaipur has 19 industrial areas with product base including gems & jewellery, marble, granite and engineering items. It is also a potential destination for IT and ITES industries coming to the state.

### Kota

Kota is a prominent business and industrial centre in Rajasthan. It has a population of 0.7 million. It is located on the main railway line connecting Delhi and Mumbai.

Kota has 14 industrial estates and a number of large chemical units. Products from these units include fertilizers, caustic soda, cement, copper based items, stones & tiles, PVC items and tyre chord fabric. The areas surrounding Kota also have large limestone and sandstone deposits.

# STATE POLICY

The government has committed to enact a fiscal responsibility and budget management legislation, to improve government's fiscal position. This will enable it to make larger investment in developing physical infrastructure in the state.

The government shall also review the existing sector specific policies of the state (particularly the ones for IT sector and mining sector), to provide better incentives and concessions to the industry, to enhance Rajasthan's competitive position vis-à-vis other business destinations within India.

Rajasthan aims to increase its NSDP by 5.5 times by 2025. The proposed economic agenda of Rajasthan focuses on the following four sectors, contributing over two-thirds to the state's economic output:

- Agriculture and animal husbandry
- Manufacturing
- Mining
- Tourism

The key strategic thrust areas for each of these sectors are:

Agriculture and animal husbandry	<ul style="list-style-type: none"><li>■ Increase in productivity</li><li>■ Shift in cropping pattern</li><li>■ Develop animal husbandry potential</li></ul>
Manufacturing	<ul style="list-style-type: none"><li>■ Further development of select existing industries</li><li>■ Revitalization of other poor performing industries</li><li>■ New industries – attracting MNCs</li></ul>
Mining	<ul style="list-style-type: none"><li>■ Focus on high value minerals</li><li>■ Strengthening mining infrastructure</li><li>■ Focus on exports</li></ul>
Tourism	<ul style="list-style-type: none"><li>■ Domestic tourism</li><li>■ Increased spending</li></ul>

Based on the above strategic framework, Rajasthan has identified immediate and long-term actions

necessary to achieve the target set for economic growth.

Rajasthan government has initiated steps aimed at streamlining the approval processes, promote export and knowledge intensive industries and provide better quality infrastructure. The main objective of these initiatives is to improve the investment and business climate in the state. The Economic Policy and Reforms Council acts as the think-tank on key economic and business matters. The council provides strategic inputs to the state government for increasing private sector participation, creating resources, capabilities, infrastructure and systems so that economic activities could flourish in the state. The council comprises members from the fields of business and economics, with CEO of Shell India, Vice Chairman of HSBC in India and Chairmen of ITC, HDFC, NIIT Ltd and Gujarat Ambuja Cement.

Government of Rajasthan has established the Board of Infrastructure Development and Investment (BIDI),

## Rajasthan: Recent initiatives on improving investment & business climate

- Establishment of Economic Policy & Reforms Council
- Establishment of Board for Infrastructure Development and Investment
- Further strengthening and deepening of electricity sector reforms
- Approval of SEZ policy
- Establishment of a venture capital fund for promoting technology and knowledge intensive businesses
- Establishment of Investment Commissioner office in New Delhi, to facilitate better interface with industry & business

with an objective to accelerate private investment in industry and related infrastructure. BIDI is responsible for the formulation of perspective plans for different regions, inter-sector co-ordination and effective monitoring for timely provision of facilities in industrial areas. As a part of the single-window clearance process in the state, BIDI is responsible for granting approvals to projects with investment above US\$ 25 million.

### Power sector reforms

Rajasthan has been one of the most successful states in implementing wide-ranging reforms in the electricity sector. With support from the World Bank, the state has made significant improvements in the performance of its electricity utilities.

The Plant Load Factor (PLF), a measure of the efficiency of generation plants, has increased from 74 per cent in 1995-96 to over 88 per cent in 2002-03. Rajasthan has achieved 96 per cent metering across all consumer categories. The state electricity utilities have managed to increase the collection efficiency to over 98 per cent. Gross revenue collection grew by 60 per cent between 1999 and 2003.

Rajasthan is the first state in the country to introduce “open access” in its electricity markets. With this provision, any consumer with over 15 MVA load can select its supply company. The state is set to introduce private participation in the electricity sector. Towards this end, the government has recently proposed a new enabling legislation.

### Infrastructure Policy

Project Development Corporation Ltd (PDCOR) is a partnership between Government of Rajasthan and HDFC/ILFS. The mandate of PDCOR is to facilitate private sector investment in infrastructure related activities in Rajasthan.

PDCOR provides institutional support to the

government in order to successfully structure and implement infrastructure projects on a public-private partnership basis. It also advises the government for policy and institutional changes.

PDCOR has developed a 25-year vision for infrastructure development in the state. This vision outlines the projects and investment requirements in sectors such as energy, transportation, water and sewerage and tourism infrastructure.

The projects currently under implementation through PDCOR include:

- Integrated parking infrastructure project for Jaipur
- Development of “Jal Mahal Palace” in Jaipur
- Development of bus terminals across different cities in Rajasthan
- Industrial area development project in Bhiwadi

### Special Economic Zone (SEZ) Policy

The Government of Rajasthan has adopted the SEZ policy for developing Special Economic Zones in the state. The SEZs, earmarked as duty-free enclaves, will have a relaxed and business friendly policy regime, aimed at promoting rapid industrial development and employment generation. The approved policy regime includes:

- Exemption of all state and local taxes and levies for transactions with the SEZ and for supply from domestic tariff areas to the SEZ
- Exemption from stamp duty and registration fees
- Grant of labour and environment related permits and approvals through a dedicated single window mechanism
- Permission to generate electricity for own consumption
- Expeditious process for land acquisition to set up SEZs

### IT Policy

Rajasthan has taken steps to spread adoption of information technology in various aspects

of governance. The state has one of the largest non-telecom fibre-optic networks covering 407 villages and providing Internet, cable television and e-governance services.

The state has introduced “Lokmitra” and “Janmitra”, two web enabled payment services for electricity, water and phone bills. A computerised registration system for property transactions has been introduced.

The state has taken lead in computerizing land records in the state. The programme has already covered 226 of the 241 land record units in the state.

The transport department has introduced online vehicle registrations, licenses and other certificates in Jaipur, Jodhpur and Sikar. These cities also have online facilities for issue of birth and death certificates.

The Government of Rajasthan, in association with private investors, has established the Rajasthan Venture Capital Fund (RVCF), with the objective of promoting companies in IT, bio-technology and other technology driven businesses. The fund is looking for projects offering potential for an attractive growth and earnings located in and around Rajasthan. RVCF would undertake individual investment upto US\$ 1 million.



## BUSINESS OPPORTUNITIES

### Key industries

Based on the competitive strengths of Rajasthan, industries and businesses in a wide range of sectors enjoy strong domestic and international position, as well as excellent growth prospects.

#### Cement

Rajasthan is the largest producer of cement in India. With a capacity of over 13 million tonnes per annum, Rajasthan accounts for over 15% of India's cement production.

The cement industry in Rajasthan is witnessing significant growth in recent years. Fresh capacity aggregating over 10 MMTPA is under various stages of implementation. With the domestic demand for cement expected to grow at 8-9 per cent annually, cement production in India is projected to reach 160 million tonnes by 2007.

The key strength of Rajasthan's cement industry is the presence of large limestone reserves, estimated to be over 2.5 billion tonnes.

All the large cement producer companies have significant presence in Rajasthan. These include AV Birla Group / Grasim Industries, Gujarat Ambuja Cement and ACC.

The proposed projects in cement industry include the following:

Company / Location	Investment (US\$ million)
Grasim Industries / Kotputli	75
Shree Cement / Pali	100
Gujarat Ambuja Cement / Nagaur	75

Source: Government of Rajasthan

### Mining and metals

Rajasthan is the second largest mineral producing state in India. It has a share of over 90 per cent in minerals such as zinc ore, copper ore, gypsum, phosphorite, asbestos, rock phosphate, calcite and dolomite.

The following table shows Rajasthan's position in terms of reserves and annual production of key minerals.

Mineral	Proven reserves (million tonnes)		Production (million tonnes)	
	Rajasthan	India	Rajasthan	India
Copper ore	35	185	0.98	3.50
Lead & Zinc ore	75	89	2.64	2.74
Gypsum	70	89	2.86	2.89
Limestone	1,990	21,861	21.19	129.77
Rock phosphate	60	89	1.18	1.29

Source: Indian Bureau of Mines, Reserves as on 2000, Production in 2001-02

Rajasthan is the largest producer of non-ferrous metals such as copper and zinc in India. It accounts for 40 per cent of India's copper production, 100 per cent of the zinc production and 85% of lead production.

In 2001-02, the total production of these metals in Rajasthan was as follows.

Metal	Production (Tonne)
Copper concentrate	63,865
Zinc concentrate	398,600
Lead concentrate	44,230

The mineral industry is also an important source of revenue for the state government. Rajasthan government earns annual revenue of over US\$ 100 million as mineral royalty. To facilitate faster exploitation of its mineral wealth, the state government has reduced the royalty rates on several minerals.

Prominent mining / metal industries in Rajasthan include Hindustan Zinc, a part of the Vedanta Resource group and Hindustan Copper Ltd, a Gol enterprise.

The projects in mining / metal industries in Rajasthan include capacity expansion by Hindustan Zinc, India's largest producer of zinc.

### Tourism

In 2002, Rajasthan attracted over 620,000 foreign and over 7 million domestic tourists. Rajasthan's share in India's foreign and domestic tourist arrivals stands at 11.2 per cent and 3.3 per cent respectively. (Source: Department of Tourism, Government of India)

Popular tourist destinations in the state include historic cities (Jaipur, Udaipur), wildlife sanctuaries (Sariska, Ranthambore) and desert locations (Jodhpur, Jaisalmer).

Rajasthan has a developed tourism infrastructure, with over 6,000 hotel rooms spread over more than 150 hotels. Of these, over 1,400 rooms (54 hotels) belong to the heritage category.

Rajasthan also runs the "Palace on Wheels" luxury train, which is well known attraction for foreign tourists.

India has been identified by the World Tourism Organization and World Travel and Tourism Council as a country with high growth potential. Domestic tourism has been growing at over 10 per cent per annum over the last decade. The number of foreign tourists visiting India is expected to grow by over 7 per cent per annum over the next decade.

To provide further fillip to tourism industry in the state, Rajasthan government has reduced the luxury tax applicable to the tourism industry from 10 per cent to 8 per cent.

The Tourism Department has estimated that

investment of over US\$ 600 million is required in the tourism industry in Rajasthan over the next ten years. It is estimated that the private sector's share of investment can be up to US\$ 200 million.

Area	Investment upto 2020 (US\$ million)
Hotels and restaurants	230
Tourism related transport infrastructure / services	260
Other facilities / services	145
<b>Total</b>	<b>635</b>

Source: Government of Rajasthan

Tourism has a significant multiplier effect on the economy. It is estimated that every rupee spent by a tourist changes hands 13 times, and that every hotel room generates direct employment to three persons and indirect employment to eight persons. In Rajasthan, tourism is the third largest employer after agriculture and textiles sector.

Prominent tourism industry players with strong presence in Rajasthan include The Indian Hotels, ITC-Sheraton, The Oberoi and Holiday Inn.

### Gems and jewellery

Jaipur and Jodhpur have emerged as the leading centres for the export of gems and jewellery. Rajasthan contributes substantially to India's total export of cut and polished stones aggregating over US\$ 10 billion.

Rajasthan is a leader in the coloured stones segment of the gems and jewellery sector.

The key advantage offered by Rajasthan is the availability of skilled personnel. Jaipur has also traditionally been a centre for jewellery making for the domestic market.

The industry's competitive position will further strengthen with the setting up of a dedicated Special Economic Zone in Jaipur.

### Textiles

Textile is an important industry for Rajasthan, representing over 20 per cent of the investment made in the state.

Rajasthan contributes over 7.5 per cent of India's production of cotton and blended yarn (235,000 tonnes in 2002-03) and over 5 per cent of fabrics (60 million sq meters).

The key factor responsible for development of textile industry in Rajasthan is availability of cotton and wool in the state. Production of cotton in Rajasthan has, however, declined from over 1.4 million bales in 1996-97 (approx. 10 per cent of India's production) to 0.7 million bales 2003-04.

Wool production in Rajasthan has grown from 16 million kg in 1992-93 to around 20 million kg currently, representing over 40 per cent of India's wool production.

Abundant availability of this key raw material has prompted many textile units to locate in the state. With a network of backward and forward linkage, Rajasthan's textile industry offers significant competitive advantage to the industry.

Availability of trained labour is another factor contributing to the success of the industry in the state.

Prominent players in the textile industry with presence in Rajasthan include Rajasthan Spinning & Weaving Mills, JK Synthetics, Nahar International and BSL Group.

### Chemicals

Chemical industry in Rajasthan accounts for 15 per cent of the total investment. Major chemical produced in Rajasthan include fertilizers, caustic soda and pesticides.

The principal industrial complexes for chemicals are at Jaipur, Kota, Udaipur and Bhilwara.

With its backward and forward linkages with other industries, the chemical industry plays a significant role in providing the necessary inputs for other key sectors of Rajasthan's economy, particularly textiles.

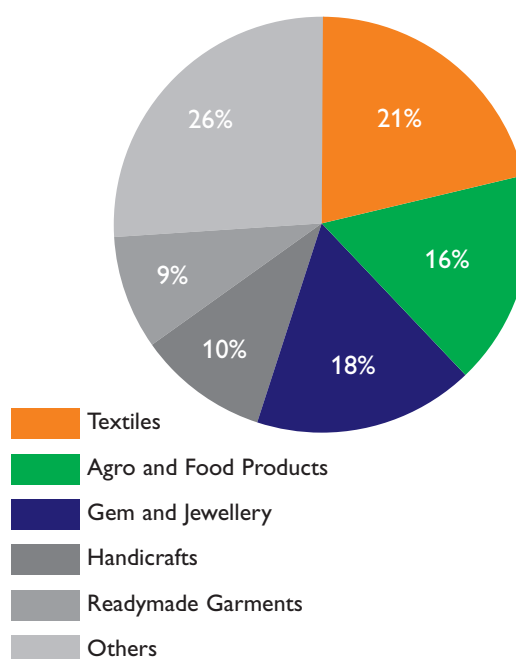
Prominent players having presence in Rajasthan include DCM Shriram Group, KK Birla Group and Kajaria Ceramics.

DCM Shriram Group has recently announced the expansion of its chemical complex at Kota. Other chemical projects under implementation include ceramics plant expansion by Kajaria Ceramics, Glass shell project of Samcor Glass and speciality chemicals plant of SRF Ltd.

### Exports

Between 1994 and 2002, exports from Rajasthan have more than doubled from US\$ 450 million to over US\$ 960 million.

Composition of exports



The main components of Rajasthan's exports include textiles, gems & jewellery, agro & food products and handicrafts.



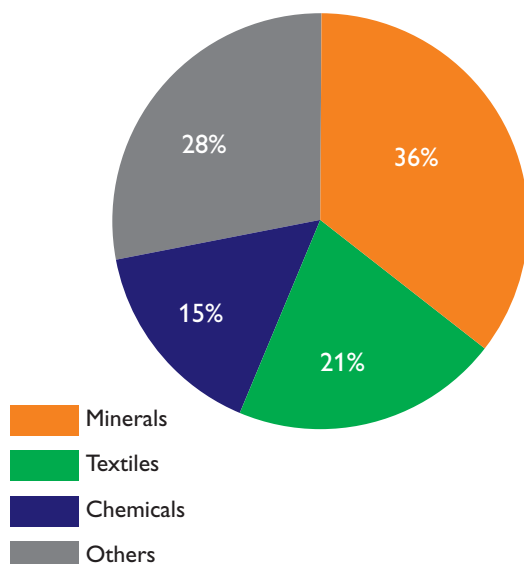
## Investment

To facilitate the investment process, Rajasthan has set up an office in New Delhi. The senior officials of state government are available in this office so that the investors need not visit the state for obtaining approvals.

With an objective of accelerating private investment in the state, the state government recently adopted an Investment Policy. The policy provides tax incentives and financial support for industries with high growth and employment generation potential, including tourism and information technology.

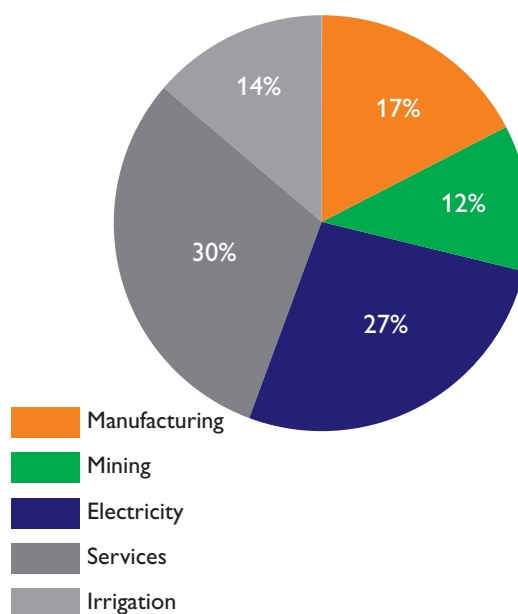
In the past, Rajasthan has attracted industrial investment in sectors such as minerals & mining, textiles and chemicals. These three sectors represent almost three-quarter of the existing industrial investment in Rajasthan.

Share of industries in capital investment



As on 2003, investment projects totalling over US\$ 6 billion were in different stages of implementation. A sector-wise breakdown of these projects indicates a wide distribution of investment across infrastructure, manufacturing, mining and services.

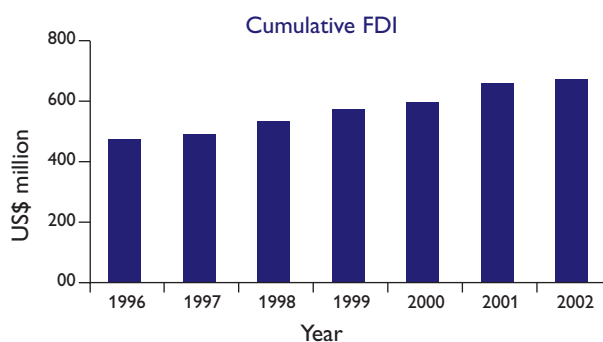
Distribution of investment



Within manufacturing, key sectors include cement, metals, chemicals and electronics. Among services, transport and construction have the dominant share of investment

## Foreign Direct Investment

Between 1996 and 2003, Rajasthan attracted over US\$ 670 million of foreign direct investment. Rajasthan stands 12th among the Indian states. Its share in India's total FDI in 2002 stood at 3.2 per cent.



## Potential hubs for investment

In addition to its present areas of strength, a number of sectors are emerging with substantial potential for private investment and business. The most prominent among them are oil & gas, electricity generation and distribution, IT and IT enabled services and roads & highways.

### Oil & gas

The recent discovery of oil & gas reserves in Rajasthan provides a significant business opportunity to establish a number of upstream and downstream businesses in the state.

The Scotland-based Cairn Energy has recently announced two discoveries aggregating in place reserves between 580 and 1570 million barrels.

At present, the exploration activity in Rajasthan is limited to the following four blocks.

Basin	Block No.	Area (sq. km)	Allotted to
Barmer-Sanchore	RJ-ON-90\1	4970	Cairn Energy
Bikaner-Nagaur	RJ-ON-90\5	3967	Essar Oil – Polish Oil & Gas Co.
Shahgarh	RJ-ON-6	5390	Phoenix Overseas consortium.
Bangewala area	RJ-ONJ-94\1	1572	Oil India – PDVSA (Venezuela)

Source: Government of Rajasthan

The area currently under exploration aggregates just 15,899 square km. This represents around 13 per cent of the area in the Rajasthan basin (aggregating around 126,000 square km).

A large part of Rajasthan's geographical area still remains unexplored. It is anticipated that in the upcoming rounds of bidding for exploration rights, the level of interest of global oil & gas majors should substantially increase.

This bodes well for the prospects of developing the oil & gas based industry in the state in coming years.

The availability of oil & gas in the state will also provide opportunities for oil refining, gas based power stations, gas distribution (including city gas distribution networks), petrochemicals and other downstream chemicals.

This is expected to complement the existing industrial base of Rajasthan and also enhance the competitiveness of industries located in Rajasthan, with access to cheaper sources of energy and raw materials.

### IT and IT enabled services

With the decision of GE Capital Corporation to establish its latest contact centre in Jaipur, Rajasthan is set to emerge as the latest destination for IT and ITES industries.

Jaipur and other cities in the state offer the benefits of qualified talent pool (annual addition of over 11,500 engineers and over 200,000 graduates across the state) and lower costs.

The cost of comparable office space is estimated to be upto 20 per cent lower in Jaipur, compared to other IT/ITES destinations such as, say, Gurgaon.

Easy access and availability of ready business infrastructure are some of the added advantages enjoyed by Rajasthan's leading cities.

The state government is taking steps to provide a competitive policy framework to potential investors in the sector. A review of the existing IT policy has been announced to attract more IT/ITES organizations to Rajasthan.

Rajasthan has two Software Technology Parks at Jaipur and Jodhpur, established by Government of India. These STPs offer the necessary infrastructure for IT/ITES units, including high speed data communication facilities.

RIICO has also developed IT Parks at Jaipur, Kota, Udaipur and Jodhpur, with proposal to develop new IT park at Bhiwadi (Alwar). These IT parks offer fully developed infrastructure by way of developed plots, continuous power and High speed data communication facilities through Satellite Earth Station, Roads etc.

Incentives available to IT industry in Rajasthan include

- Land charges rebate upto 60 per cent
- Exemption from stamp duty for land registration
- 50 per cent Exemption from electricity duty for 7 years
- Simplified labour regulations and procedures

### Electricity generation and distribution

Rajasthan has over 1.5 billion tonnes of lignite reserves suitable for electricity generation. It is estimated that these reserves can support over 2,000 MW of electricity generation.

With the enactment of new national electricity sector legislation, inter-state supply and trading of electricity has been permitted. Lignite based electricity generation plants in Rajasthan can supply electricity to power deficient markets in north and west India.

Neyveli Lignite Corporation has announced its plans to set up a 250 MW lignite based power generation unit in Barmer district.

Rajasthan Vidyut Utpadan Nigam is also setting up a lignite based electricity generation plant in Bikaner district.

Rajasthan is also preparing for introduction of private participation in distribution of electricity. The draft of an enabling legislation for facilitating this process is already under discussion. This move is expected to throw open the electricity market in the state to competitive supply, thus offering significant business opportunities for private companies.

### Roads and highways

Rajasthan provides an opportunity for private enterprises to develop and maintain highways, bridges and bypasses. The state has a successful track record in implementing such projects through Build-Operate-Transfer (BOT) approach.

The state government has identified a number of road projects aggregating US\$ 100 million to be implemented through private sector participation.

The recent government announcement to establish a dedicated road fund for financing of road projects is expected to give a fillip to similar projects.

## PROFILE OF KEY PLAYERS IN RAJASTHAN

### Grasim Industries Ltd

Grasim Industries is the flagship of the AV Birla Group, one of the most prominent Indian business houses. With the recent acquisition of cement business of L&T, Grasim has become the largest producer of cement in India. Grasim is also the eighth largest cement producer in the world. Grasim has two cement units in Rajasthan with annual capacity of 1.9 million tonnes per annum. Grasim produces both grey and white cement in Rajasthan. It is also planning to set up a new cement plant at Kotputli with proposed investment of over US\$ 150 million.

### Gujarat Ambuja Cement Ltd (GACL)

Gujarat Ambuja Cement Ltd is India's third largest cement producer, with a capacity of over 12.5 million tonnes per annum and revenue of over US\$ 500 million. Its plants in Rajasthan have an annual production capacity of 1.5 million tonnes.

### Hindustan Zinc Ltd (HZL)

Hindustan Zinc Ltd is a part of the Vedanta Resources Group, a diversified metals and mining group with worldwide presence. HZL is India's largest zinc producer, catering to around two-thirds of the total domestic requirements. HZL was privatized by the Indian government in 2002.

HZL is implementing a substantial expansion programme by installing 170,000 MT zinc smelter with mining capacities and a captive power plant of 150 MW. The expansion is scheduled to be completed by early 2005.

### Chambal Fertilizers and Chemicals Ltd (CFCL)

Chambal Fertilizers and Chemicals Ltd operates two hi-tech nitrogenous fertilizer plants near Kota in Rajasthan. It is the largest fertilizer complex in private sector in India, with a capacity of over 1.7 million tonnes per annum of urea.

Indo Maroc Phosphore SA (IMACID), CFCL's joint venture phosphoric acid plant in Morocco, successfully commenced commercial production in November 1999. The US\$ 204 million joint venture project, in equal participation with Office Cherifien Des Phosphates (OCP) of Morocco, produces 330,000 tonnes per annum of merchant grade phosphoric acid (54 per cent of P<sub>2</sub>O<sub>5</sub>).

OCP is the largest producer of phosphoric acid in the world. Phosphoric acid is a major raw material for production of DAP and other complex fertiliser grades. Zuari Industries Ltd buys its entire phosphoric acid requirements from IMACID.

This arrangement ensures an uninterrupted supply of phosphoric acid to the Company to produce DAP and also helps bridge the gap between demand and supply of phosphoric acid, since India imports over 80 per cent of its phosphoric acid requirement.

### JK Synthetics Ltd

JK Industries Ltd is the flagship of the HS Singhanian group of companies. In Rajasthan, it has a presence in cement and tyre manufacturing. JK Tyre is the largest exporter of tyres from India, accounting for 30 per cent of total tyre exports. Globally, it is sixteenth largest tyre manufacturer, with annual production of over 5 million tyres. JK Cement has cement manufacturing plants at Mangrol and Nimbahera in Rajasthan.

### The Indian Hotels Company

The Indian Hotels Company (IHC) is the hospitality arm of the Tata Group, India's largest private sector business group. In Rajasthan, IHC operates six hotels and resorts in Jaipur, Udaipur, Jodhpur and Ranthambore National Park, with over 400 rooms. IHC had a consolidated income of over US\$ 220 million for the year ending 31 March 2004.

### DCM Shriram Consolidated Ltd

DCM Shriram Consolidated Ltd (DSCL) is a US\$ 300 million company with interests in chemicals, cement and sugar. DSCL has a 50,000 tonnes per annum of caustic soda plant at Kota, as part of the integrated vinyl production complex. DSCL is one of the lowest cost producers of caustic soda in India. DSCL's cement plant at Kota produced around 300,000 tonnes of cement in 2003-04.

### Rajasthan Spinning and Weaving Ltd

Rajasthan Spinning and Weaving Mills Ltd (RSWM) is the flagship company of the LNJ Bhilwara Group. It is one of the largest textile groups in India for manmade fibres, yarns and fabrics, as well as their blends with cotton and wool. RSWM is an ISO 9001:2000 company, with exports to 59 countries including Europe and USA. RSWM has a technical tie up with Germany based TREVIRA for import and conversion of flame-retardant fibres. LNJ Group is shifting focus from export of yarn or fabric into readymade garments by investing US\$ 33 million in the current year.

### Cairn Energy Plc

Cairn is an independent Scottish oil and gas exploration and production company listed on the London Stock Exchange. Cairn specializes in exploration in South Asia.

Cairn is involved in a big way in Rajasthan in oil & gas exploration. It is currently involved in an extensive exploration and appraisal programme across its 5000 sq km onshore exploration block (RJ-ON-90/1) in the Rajasthan basin.

In 2004, Cairn struck oil in two different fields with estimated in-place reserves between 580 and 1570 million barrels of oil. Cairn also plans to commence additional infill development drilling on the Sangu field early in 2005 with a view to increasing production levels from the field to help meet growing domestic demand.

### GE Capital International Services

GE Capital International Services (GECIS), a subsidiary of General Electric, is the largest remote processing (BPO) organization in India. It employs over 11,500 people in four different locations across India.

In 2003, GECIS decided to establish its latest contact centre in Jaipur. The current staff strength in the Jaipur contact centre is around 200, which is expected to go upto 500 by end of this year.

#### *Pramod Bhasin, President, GE Capital India*

"I think the town (Jaipur) itself is very attractive. It's clean, it's very well-maintained; the infrastructure in the town is very good; it's open; plus, we have a lot of graduates and a lot of excellent colleges to pick future employees from.... So, all these things put together have made Jaipur very attractive for us."

### Gillette India

Gillette entered Rajasthan through takeover of the Indian Shaving Products Ltd (ISPL) in 1999. Gillette has its manufacturing unit in Bhiwadi, Rajasthan. Gillette has identified Bhiwadi as its main manufacturing set-up in India for the production of blades and razors.

Gillette India's currently expanding its Bhiwadi facility to increase capacities of twin shaving systems up-gradation of technology. The expansion is expected to cost US\$ 12 million.

#### *Pran Dang, Managing Director, Gillette India*

"The peaceful industrial climate, the support of the government, a willingness to keep pace with changing times through reforms and supportive agencies, have made Rajasthan very conducive to industry. The infrastructure in the State continues to be among the best."

### Climate Systems India

Climate Systems India (CSI) has been promoted by Ford Motor Company with a 56 per cent stake.



Other investors in CSI include Maruti Udyog, a subsidiary of Suzuki Motor Corporation and Sumitomo Corporation.

CSI has set up a plant to manufacture 600,000 mechanically assembled aluminium radiators and controlled atmosphere brazed radiators at Bhiwadi.

#### Federal Mogul Automotive Products

Federal-Mogul Automotive Products (India) is a 100 per cent subsidiary of Federal-Mogul USA, a US\$ 7 billion auto ancillary corporation.

It has set up a plant for manufacture of automotive spark plugs at RIICO Industrial area at Bhiwadi. Federal-Mogul is an OEM supplier to several domestic automobile manufacturers and has also exports to the Asia-Pacific region.

#### Samcor Glass

Samcor Glass, situated at Kota, is a joint venture of Corning Inc, USA, Corning Korea and the Samtel Group of India.

It manufactures glass parts for black and white television picture tubes and monochrome monitor tubes. The company has an installed capacity of 5.5 million sets per annum.

#### Motor Industries Company

Motor Industries Company Ltd (MICO) is a part of the Bosch Group, Germany, world's second largest supplier of automotive technology.

MICO has set up a unit for manufacture of auto components in Jaipur, with an investment of approx. US\$ 50 million. It has over 1,000 employees in Jaipur. The unit was awarded QS 9000 certification in 2000.

# DOING BUSINESS IN RAJASTHAN

## Obtaining approvals

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

Department	Timelines
Environment	<ul style="list-style-type: none"><li>■ Site/environment clearance: 90 days</li><li>■ NOC to establish: 45 days</li><li>■ NOC to operate: 30 days</li><li>■ Renewal of consent: 30 days</li></ul>
Industries	<ul style="list-style-type: none"><li>■ Letter of intent/industrial license: 15 days</li><li>■ Sponsoring for essential raw materials: 30 days</li></ul>
Incentives	<ul style="list-style-type: none"><li>■ District level clearance: 30 days</li><li>■ State level clearance: 45 days</li></ul>
Medical and Health	<ul style="list-style-type: none"><li>■ Drug License: 45 days</li></ul>
Power	<ul style="list-style-type: none"><li>■ Loads up to 60 HP: 66 days</li><li>■ Loads above 60 HP and up to 300 KW: 90 days</li><li>■ Loads above 300 HP and up to 3000 KW: 180 days</li><li>■ Load above 3000 KW and up to 33KV: 375 days</li></ul>
Revenue	<ul style="list-style-type: none"><li>■ Land conversion up to 20 hectares: 30 days</li><li>■ Land conversion above 20 hectares: 60 days</li><li>■ Land allotment: 30 days</li><li>■ Land allotment if government approval is required: 60 days</li></ul>
RIICO/RFC	<ul style="list-style-type: none"><li>■ Sanction of loan: 60 days</li><li>■ Allotment of plot in industrial areas: 15 days</li></ul>

## Cost of setting up business

An indicative table on cost of setting up business in Rajasthan

Indicator	Value (in US\$)
Industrial land (per sq mt)	Jaipur – 13 - 30 Kota – 4 - 10 Udaipur – 2 - 10
Office space rent (per sq ft per month)	Jaipur – 0.50
Residential rent (for a 2,000 sq ft house, per month)	500
5-star hotel room (per night)	50
Electricity (per kWh) Commercial / Office -	Industry – 0.10
Water (per 1000 litres)	0.25 - 0.35

**Note:** Exchange rate used is INR 47 per US\$.

## Contact for information

### State Government Website

[www.rajasthan.gov.in/](http://www.rajasthan.gov.in/)

### Rajasthan State Industrial Development and Investment Corporation (RIICO)

Udyog Bhavan, Tilak Marg  
Jaipur 302005  
INDIA  
Tel : +91 141 2380751/2/3/4/5  
Fax : +91 141 5104808  
E-mail: [riico@riico.com](mailto:riico@riico.com)  
Website: [www.riico.com](http://www.riico.com)

### Confederation of Indian Industry (CII)

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

### Confederation of Indian Industry State Office

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