
EXPLORING PROSPECTS FOR MAKE IN INDIA AND MADE IN INDIA

A STUDY



FOREWORD



Abhijeet Bhalla

Co-founder,
Viridian Group

The world is looking at India as it begins a new phase in its journey towards being a global economic powerhouse. Often labelled as a nation of shop keepers and traders it is easy to forget that India represented almost half the world's GDP right up to the 18th Century, one that rapidly declined over the next 100 years. This is testimony to the fact that India has always had a very mature consumer market as well as a well-entrenched distribution and commerce framework that extends well beyond its geographical boundaries.

As the world looks on, it realizes that there is no product or service that does not have a significant market in India, and all of them without exception with a growth potential that is staggering. Therein lies the perplexing dichotomy of India, a country that has the world's youngest and largest workforce along with the world's greatest potential market for many years to come.

The country's recent focus on easing and enabling the requisite infrastructure and regulatory frameworks across the board, which includes both manufacturing as well as market access, is an opportunity for all entrepreneurs and companies to participate and contribute to the India story from the very onset of a new dawn.

This report represents an excellent overview of this opportunity and I would like to congratulate VERBIND and the PHD Chamber of Commerce for undertaking this endeavor and playing a key role in the 'Make in India' program through this and their other ongoing efforts.

MESSAGE FROM PRESIDENT
PHD CHAMBER



Alok B Shriram
President, PHDCCI

Manufacturing sector is the backbone of any economy as it fuels growth, productivity, employment, and strengthens other sectors of the economy. The situation of manufacturing sector in India is a cause of concern especially when seen in comparison to the massive transformation registered in this sector by other Asian countries in similar stages of development. At around 16% value added of manufacturing to India's GDP, the sector does not seem representative of its potential which should have been 25%.

The launch of Make in India programme would go a long way to establish India as a major manufacturing hub that will generate millions of employment opportunities and push India on a high and sustainable growth trajectory in the coming times.

We are happy to present a report on "Exploring Prospects for Make in India and Made in India: A Study" in association with World Trade Center which focuses on the business environment in the states under influence of DMIC Corridor and way forward.

We are glad to participate in the Vibrant Gujarat Summit, 2015 being organized from 11th-13th January at Gujarat. We look forward to meaningful discussions and collaborations during the summit and sincerely wish all the very best to all the stakeholders of the summit.

ACKNOWLEDGEMENTS



Saurabh Sanyal

Executive Director,
PHD-CCI

The study 'Exploring Prospects for Make in India and Made in India: A Study' pertains to focus on the growth dynamics of the manufacturing sector with special reference to the operational issues faced by various states under influence of DMIC Corridor.

The study highlights issues and challenges faced by the manufacturing sector of states under the influence of DMIC Corridor. It discusses the current status of the manufacturing sector and various efforts made by the government to facilitate the ease of doing business in the country under the Make in India Initiative.

The study focuses on operational problems faced by the DMIC states and Roadblocks to Make in India. Further, it identifies the promising areas for manufacturing, trade and investment.

We are greatly obliged to the industrial houses of all the DMIC states of Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Maharashtra, Gujarat and Delhi for providing their valuable inputs and incites on the business environment in their states and their expectations from their respective state government. We would also like to place on record our sincere gratitude to Industrial associations and members of all states under the influence area of DMIC Corridor.

We are thankful to the World Trade Centre to provide us an opportunity to prepare a report on topical issue.

I also commend and appreciate the tireless efforts of PHD Research Bureau team led by Dr. S P Sharma, Chief Economist and Director of Research, PHD Chamber and assisted by team members Ms. Megha Kaul, Senior Research Officer, Ms. Ekta Goel, Research Associate and Ms. Vaishali Narang, Research Intern for producing this study of analytical value.

I hope this study will help in further policy formulation for the manufacturing sector, so as to serve as a vehicle for sustainable industrial growth.

Saurabh Sanyal
Executive Director
PHD Chamber

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AKIC	Amritsar-Kolkata Industrial Corridor
AKICDC	Amritsar-Kolkata Industrial Corridor Development Corporation
AAGR	Average Annual Growth Rate
BMEC	Bengaluru-Mumbai Economic Corridor
CPI	Consumer Price Index
CBIC	Chennai-Bengaluru Industrial Corridor
CAGR	Compounded Annual Growth Rate
DMIC	Delhi Mumbai Industrial Corridor
DFC	Dedicated Railway Freight Corridor
DMICDC	Delhi-Mumbai Industrial Corridor Development Corporation
DIPP	Department of Industrial Policy & Promotion
EDFC	Eastern Dedicated Freight Corridor
EPC	Engineering, procurement and construction
EPFO	Employees Provident Fund Organization
EPIP	Export Promotion Industrial Parks
FDI	Foreign Direct Investment
FYP	Five Year Plans
FY	Financial/Fiscal Year
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
GSDP	Gross State Domestic Product
GST	Goods and Services Tax
GIDC	Gujarat Industrial Development Corporation
IMF	International Monetary Fund
IIP	Index of Industrial Production
IPR	Industrial Policy Resolution
IMC	Integrated Manufacturing Cluster
ITES	Information Technology enabled service
ITP	Integrated Textile Parks
ICT	Information & Communication Technology
JICA	Japan International Cooperation Agency
JNPT	Jawaharlal Nehru Port
JBIC	Japanese Bank for International Cooperation
KVP	Kisan Vikas Patra
KYC	Know your Customer
MRTTP	Monopolies and Restrictive Trade Practices
MNC	Multi National Companies
MSME	Micro, Small and Medium Enterprises
MFN	Most-Favoured Nation
NIP	New Industrial Policy
NMP	National Manufacturing Policy
NIMZ	National Investment and Manufacturing Zones

NFSM	National Food Security Mission
NID	National Institute of Design
NoC	No Objection Certificate
OECD	Organization for Economic Co-operation and Development
PPP	Public private partnerships
PMJDY	Pradhan Mantri Jan Dhan Yojana
PIA	Project Influence Area
PSU	Public Sector Undertakings
RRB	Regional Rural Bank
R&D	Research and Development
SEZ	Special Economic Zones
SME	Small & Medium Enterprises
SIT	Special Investigation team
UAN	Universal Account Number
VAT	Value Added Tax
WEO	World Economic Outlook
WPI	Wholesale Price Index
YOY	Year on Year

EXECUTIVE SUMMARY

The Indian economy has been witnessing positive sentiments during the past few months. The macroeconomic indicators have also displayed an encouraging trend in the recent times. However, the situation of the manufacturing sector in India is a cause of concern. At 16% value added to GDP, the sector does not seem representative of its potential which should have been 25%. However, the industrial growth scenario is improving and is estimated at 1.9% in the period April-October 2014-15. The recent measures undertaken by the new government in terms of facilitation to industrial sector, creation of conducive environment for the manufacturing activities, focus on improving industrial policies and procedures and reforming labor laws have facilitated recovery in industrial sector.

The Government recently launched the Make in India initiative which is expected to make India a manufacturing hub while eliminating the unnecessary laws and regulations, making bureaucratic processes easier, make government more transparent, responsive and accountable and to take manufacturing growth to 10% on a sustainable basis.

Apart from initiatives such as development of smart cities, skill development, National Investment and Manufacturing zones, FDI enhancement, the government is building a pentagon of corridors across the country to boost manufacturing and to project India as a Global Manufacturing destination of the world. The most important of these corridors is the DMIC which is one of the largest infrastructure projects planned in India and spans the six states of Uttar Pradesh, Haryana, Madhya Pradesh, Rajasthan, Gujarat and Maharashtra.

The present study is an attempt to understand the global and domestic outlook of manufacturing sector, growth dynamics, opportunities and challenges for manufacturing firms particularly in the states under the influence of DMIC.

According to the survey conducted, the respondents were asked about the promising sectors of investment in the coming times which according to them are Agro and food processing industry, Auto components & automotive industry, Drugs & pharmaceuticals, Engineering, FMCG industry, Gems and jewellery, Infrastructure, Leather and leather products, Services sector and Textile and readymade garments.

The respondents were also asked about the procedural bottlenecks which hamper their business and may also hinder in the implementation of the Make in India initiative. According to them, current laws make acquisition costly as well as tedious. A robust Land Acquisition policy which would make acquisition much easier along with an attractive R&R package is essential for investment in infrastructure and manufacturing. The labour laws are rigid and inflexible that needs to be addressed. Progressive labour laws would create more job opportunities in the market and would contribute towards the growth of manufacturing sector. Further, there is a need for simplification of tax laws and earliest implementation of GST to remove multiple taxation and to rationalize the tax system. The manufacturing firms believe that the Companies act in its current form is detrimental for all the companies and poor governance may impede growth in the economy. They also said that there is an urgent need to drastically overhaul the Police Raj to make it people friendly.

The business groups were also asked about the operational problems which they face in their states. The manufacturing units of Haryana said that access to finance, dual taxation and labor unrest are some of the

operational problems they face. The businesses in Uttar Pradesh face the problem of energy shortages, unskilled workforce, excessive regulations, water shortages, problems with law and order, lack of connectivity and transportation facilities, high energy cost, limited R&D and difficulties in marketing and selling. The firms in Rajasthan face the difficulty in obtaining basic finance particularly the MSMEs while Infrastructural constraint in the form of paucity of airports and double are the problems faced by industrialists in Madhya Pradesh.

The industrial units in Maharashtra face problems in registration/ renewal of license related to Factories Act as the process is manual and cumbersome and the electricity rates are exorbitantly high in the state which impacts their businesses.

According to the manufacturing firms in Gujarat, though there is online system of registration for obtaining environmental clearances, it takes around 3-4 months and they are also dissatisfied with the manual system for labor law related compliances. On the other hand, the industrialists in Delhi face various operational problems such as infrastructural constraints, administrative bottlenecks and high taxation.

When the business environment in the DMIC states were compared with each other on most critical factors, Gujarat emerged as the best performing state among all states under the influence area of DMIC.

Further, the manufacturing firms are positive on the future outlook as majority of the respondents are considering expanding their business in the next five years through various ways and measures, going forward.

Going ahead, the Indian manufacturing sector provide an excellent opportunity to international investors to collaborate with existing businesses as most of the businesses have plans to expand through various options. This also reiterates the fact that the businesses are actively willing to participate in the Make in India mission of the government. With various initiatives being implemented by the government to facilitate the ease of doing business, the manufacturing sector in India is expected to pick up pace and will provide immense opportunities to domestic and international investors to come and make in India.

CURRENT STATE OF
INDIAN ECONOMY

KEY ECONOMIC INDICATORS

The Indian economy has been witnessing positive sentiments during the past few months. The real GDP growth is estimated at 5.5% in the first half of 2014-15 as against 5% in the corresponding period of last year. The macroeconomic indicators have also displayed an encouraging trend in the recent times.

Key Macroeconomic indicators

S. No.	Parameters	FY14	H1FY15
1	Real GDP Growth	4.70%	5.5%~
2	WPI Inflation	6%	4.2%*
3	CPI Inflation	9.50%	7.4%*
4	Industry Growth	(-)0.1%	1.9%*
5	Exports	4%	4.7%*
6	Fiscal Deficit as % of GDP	84.4%^	89.6%^
7	Current Account Deficit as % of GDP	1.70%	1.9%!
8	FDI Inflows	8%	15%
9	Exchange rate	60.50	59.7#

Source: PHD Research Bureau, compiled from various sources

~Real GDP growth is average of Q1 and Q2 2014-15

*Data pertains to April-October 2014-15

^Data pertains to percentage of actuals to budget estimates for the month of October in the respective years

! Figure is average of Current Account Deficit of Q1 and Q2 of year 2014-15

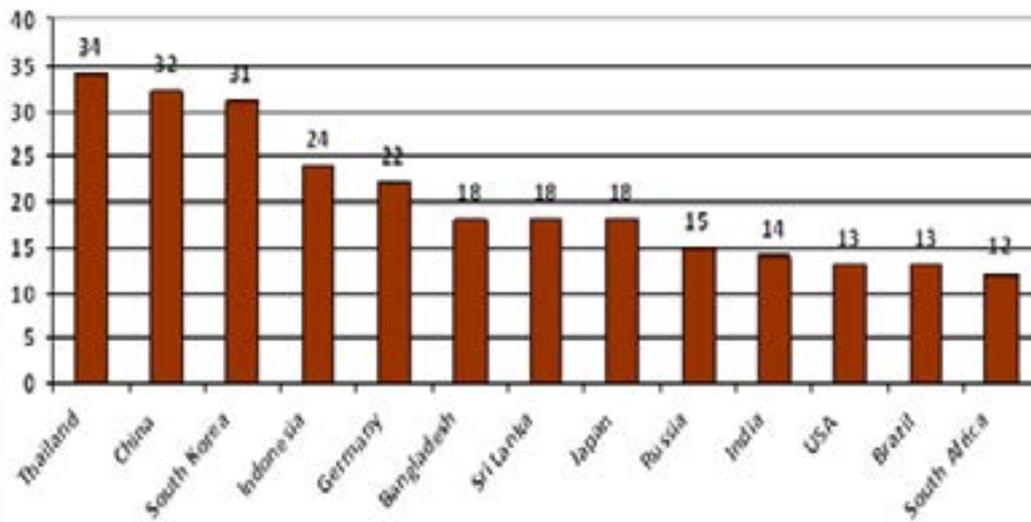
#Data pertains to Q2 2014-15

STATUS OF MANUFACTURING SECTOR

The situation of the manufacturing sector in India is a cause of concern. At 16% value added to GDP, the sector does not seem representative of its potential which should have been 25%. In most rapidly developing economies, manufacturing sector contributes 25-40% to the GDP such as Thailand's manufacturing sector value added to GDP is around 34%, China 32%, South Korea 31%, Indonesia 24% and Germany 22%.

Manufacturing value added

(% of GDP- US\$)

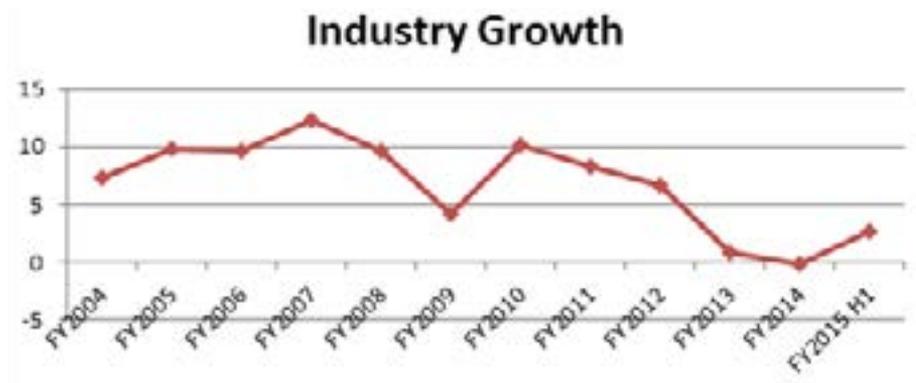


Source: PHD Research Bureau, compiled from World Bank and Trading economics,
 Note: Data pertains to 2012

During the last 2-3 years, the Indian industry has seen a rough patch, decelerating considerably. The industrial growth fell from 9.2% (average) in 10th five year plan period to 7.2% in the 11th five year plan period and 0.35% in the first two years of 12th five year plan (FY13 & FY14). However, with the new government in power, the industrial growth picked up from -0.1% in FY2014 to an average growth of 2.7% during the first half of 2014-15.

Industry growth from FY2004 to FY2015H1

(in percentage)



Source: PHD Research Bureau, compiled from MOSPI

The manufacturing sector in India grew at 0.7% during the period April-October 2014-15 from (-)0.1% in the corresponding period of 2013-14. The sector grew only 0.2% (average) YoY during the last two years. Though policy has been formulated (New Manufacturing Policy 2011) to enhance its share in GDP from 16% to 25% by 2022, the sector is impacted by multiple factors.

BOTTLENECKS TO MANUFACTURING SECTOR IN INDIA

HIGH INPUT COSTS

INADEQUATE INFRASTRUCTURAL FRAMEWORK

LACK OF SINGLE WINDOW CLEARANCE FACILITIES

INADEQUATE AVAILABILITY OF LAND FOR INDUSTRIAL PURPOSES

UNBALANCED GROWTH IN LOGISTICS SECTOR

However, the industrial growth scenario is improving and is estimated at 1.9% in the period April-October 2014-15. The recent measures undertaken by the new government in terms of facilitation to industrial sector, creation of conducive environment for the manufacturing activities, focus on improving industrial policies and procedures and reforming labor laws have facilitated recovery in IIP.

Further, the announcements made in Union Budget 2014-15 are inspiring as focus on industrial infrastructure and plan to establish 100 smart cities would enhance industrialization and create employment opportunities in the economy. The launch of Make in India is expected to inspire the investors to look at India for their future investments which would improve the ease of doing business and spur manufacturing growth, going ahead.

KEY POLICY
ANNOUNCEMENTS

During the last 6-7 months, the new government has undertaken many reforms in the recent times that have created scope for rejuvenation of India's growth story. The focus of the government has been on refueling growth, taming price pressures, facilitating industrial and businesses environment and simplifying the policies and procedures.

- Launch of 'Make in India' to make India a manufacturing hub
- FDI limits in insurance and defence enhanced to 49% and 100% FDI in railway infrastructure
- Development of 100 smart cities to facilitate infrastructure development
- Launch of a user-friendly Indian Trade Portal aimed to facilitate Indian exporters
- Launch of Jan Dhan Yojana to remove financial untouchability. The scheme targets to open 100 million bank accounts by January 26, 2015.
- Amendments to three archaic labor laws - Apprenticeship Act 1961, Factories Act 1948 and Labor laws act (Exemption from furnishing returns and maintaining of registers by certain establishments 1988) approved
- Relaunch of Kisan Vikas Patra Scheme to increase domestic savings
- Launch of labour inspection schemes, 'Shram Suvidha' portal, Universal Account Number (UAN) facility for Employees Provident Fund Organisation (EPFO) subscribers
- Easing of green rules for mining, roads, power and irrigation projects
- Proposal to replace the Planning Commission with a new body
- Digital India to connect all gram-panchayats by broadband internet
- Creation of a 'Common National Market' for the entire country to ensure free movement of goods across the state borders.

Significant announcements

Launch of Make in India

- to increase manufacturing sector growth
- facilitate investment
- to make India a manufacturing hub

Enhancement of FDI limits

- Enhancement of FDI limits in insurance and defence from 26% to 49%
- 100% FDI in railway infrastructure

Amendments to labour laws

- Apprenticeship Act 1961
- Factories Act 1948
- Labor laws Act

BOLSTERING THE MANUFACTURING SECTOR

In light of various problems faced by Indian business, various measures can be adopted to facilitate the ease of doing businesses in India-

- Strengthening and consolidation of the incentive structure for corporate R&D activity in the country to further the international competitiveness of national enterprises.
- Development of industrial corridors to facilitate ease of doing business, increased industrial output, generation of employment opportunities and promotion of socio-economic growth of India.
- In order to comply with the global standards, MSMEs scale should be increased manifold in terms of financials and manpower so that more companies come under MSMEs
- Easing the regulatory compliances of the Companies Act of 2013 for MSMEs in order to boost external funding for the sector.
- Increased access to finance for MSMEs to reduce the delays and stalling of business projects due to non-availability of finance.
- Repealing the existing labour laws which put unnecessary regulatory burden on businesses and simplification of the exit rules for Indian and foreign entities.
- Developing energy infrastructure with up-gradation of technology and strengthening of high capacity national transmission grid.
- Addressing the infrastructure problems and an overall re-hauling of transport system through increasing the capacity of railways, highways and expressways.
- Revisiting the Land Acquisition Act to ease the process of land acquisition.
- Simplification and rationalization of taxation system with long term stability.

MAKE IN INDIA

Make in India is aimed at making India a manufacturing hub and economic transformation while eliminating the unnecessary laws and regulations, making bureaucratic processes easier, make government more transparent, responsive and accountable and to take manufacturing growth to 10% on a sustainable basis.

Objectives

- To make investing in manufacturing more attractive to domestic and foreign investors
- To give the Indian economy global recognition
- To create competitive industrial environment
- To development infrastructure
- To invite latest technologies
- To generate employment and skill formation

The Make in India focuses on new ideas and initiatives such as-

- First Develop India and then Foreign Direct Investment,
- Look-East on one side and Link-West on the other,
- Highways and 'I'-ways.
- facilitate investment
- foster innovation
- protect intellectual property
- build best-in-class manufacturing infrastructure.

FOCUS SECTORS ARE-

Automobiles
Automobile Component
Aviation
Biotechnology
Chemicals
Construction
Defense Manufacturing
Electrical Machinery
Electronics Systems
Food Processing
IT & BPM
Leather
Media and Entertainment
Mining
Oil and Gas
Pharmaceuticals
Ports
Railways
Renewable Energy
Roads and Highways
Space
Textiles and Garments
Thermal Power
Tourism
Hospitality and Wellness

Major initiatives undertaken

- Process of applying for Industrial License & Industrial Entrepreneur Memorandum have been made online on 24×7 basis
- Services of all Central Government Departments & Ministries will be integrated with a single window IT platform
- Online filing of returns and a check-list of required compliances to be placed on Ministry's/ Department's web portal
- Single electronic register for businesses

INITIATIVES UNDERTAKEN TO FACILITATE THE EASE OF DOING BUSINESS

- De-licensing and deregulation measures to reduce complexity and ensure increased transparency.
- Online applications for Industrial License & Industrial Entrepreneur Memorandum have been on 24×7 basis. Industrial license have been extended to three years, state governments asked to introduce self-certification.
- Services of all Central Government Departments & Ministries will be integrated with the eBiz – a single window IT platform for services by 31 December 2014.
- The process of obtaining environmental clearances has also been made online.
- All returns should be filed on-line through a unified form and a check-list of required compliances should be placed on Ministry's/Department's web portal.
- Center has advised all the departments that all registers maintained by the businesses should be replaced with a single electronic register
- No inspection to be undertaken without the approval of the Head of the Department.

Factors impacting the ease of doing business in India

- Delays in land acquisition
- Delays in municipal permission
- Delays in supply of materials
- Delays in award of work
- Operational issues dragging down the implementation of the projects
- Movement of projects through multiple departments at the state and Central levels
- Involvement of multiple agencies
- Requirement of various approvals across different stages of the project cycle

Common solutions to improve the ease of doing business

- Single window clearances
- Effective coordination between centre and state governments
- Digitization of all the government departments
- Electronic filing and fulfillment of procedures
- Creation of a central cloud where all States should have access
- Making all approvals electronically.

THE ROAD
AHEAD

ROAD AHEAD

- Plan to develop new smart cities and industrial clusters in selected industrial corridors
- Work on 5 smart cities- Dholera, Shendra-Bidkin, Greater Noida, Ujjain and Gurgaon, is in progress as a part of the Delhi-Mumbai Industrial Corridor
- New youth-oriented programs to develop specialized skills
- Impetus has also been given on developing Industrial Corridors
- 'National Industrial Corridor Development Authority' has been created to coordinate, integrate, monitor and supervise development of all Industrial Corridors
- New Industrial Clusters have been proposed.
- 21 Industrial projects under Modified Industrial Infrastructure Upgradation Scheme have been approved with an increased emphasis on use of recycled water
- Approval accorded to 17 National Investment and Manufacturing zones (NIMZ).
- 100% FDI under automatic route in construction and operation and maintenance in specified Rail Infrastructure projects.
- Government of India is building a pentagon of corridors across the country to boost manufacturing and to project India as a Global Manufacturing destination of the world.

INDUSTRIAL CORRIDORS
IN INDIA

The Industrial corridors were launched to provide a conducive environment to the manufacturers for their growth and development and to facilitate ease of doing business in the country. The major industrial corridors in India are mentioned as under-

DELHI MUMBAI INDUSTRIAL CORRIDOR

The Delhi Mumbai Industrial Corridor (DMIC) was launched by the government in 2006 spans the six states of Uttar Pradesh, Haryana, Madhya Pradesh, Rajasthan, Gujarat and Maharashtra. The corridor project, being developed in co-operation with the government of Japan, is one of the largest infrastructure projects planned in India, aiming to develop new industrial cities as "Smart Cities".

- The DMIC project is proposed to be implemented on both sides of the 1483 km long Western Dedicated Rail Freight Corridor between Dadri (UP) and JNPT (Navi Mumbai).
- Initially, the following 8 Investment Regions/ Industrial Areas have been taken up for development in the first phase of DMIC -
 - (i) Ahmedabad-Dholera Investment Region in Gujarat;
 - (ii) Shendra-Bidkin Industrial Park city near Aurangabad in Maharashtra;
 - (iii) Manesar-Bawal Investment Region in Haryana;
 - (iv) Khushkhera-Bhiwadi-Neemrana Investment Region in Rajasthan;
 - (v) Pithampur-Dhar-Mhow Investment Region in Madhya Pradesh;
 - (vi) Dadri-Noida-Ghaziabad Investment Region in Uttar Pradesh
 - (vii) Dighi Port Industrial Area in Maharashtra; and
 - (viii) Jodhpur-Pali-Marwar Industrial Area.
- The master plans for all the nodes except Dadri Noida Ghaziabad Investment Region in Uttar Pradesh have been completed and accepted by the State Governments.

CHENNAI-BENGALURU-CHITRADURGA INDUSTRIAL CORRIDOR

The Chennai-Bengaluru Industrial Corridor (CBIC) project was initiated in December 2011 by the governments of India and Japan to improve the infrastructure in the Chennai and Bengaluru. The 560 km corridor between Chennai – Bengaluru – Chitradurga will have an Influence area spread across the states of Karnataka, Andhra Pradesh and Tamil Nadu.

- The corridor plans to come up along Chennai, Sriperumbudur, Ponnapanthangal, Ranipet, Chittoor, Bangarupalem, Palamaner, Bangarpet, Hoskote and Bangalore.
- It is expected to boost commerce between south India and east Asia by enabling quicker movement of goods from these places to the Chennai and Ennore ports.
- CBIC, is being funded partly by the Japanese Bank for International Cooperation (JBIC) and Japan International Cooperation Agency (JICA).
- Phase-I of the corridor will extend up to Bengaluru from Chennai and it will later be extended to Andhra Pradesh.

BENGALURU-MUMBAI ECONOMIC CORRIDOR (BMEC)

The Bengaluru-Mumbai Economic Corridor (BMEC) project was initiated in February 2013 in collaboration with the United Kingdom. The 1,000 km corridor would attract enhanced investments in manufacturing sector and would lead to increased industrial activity in the states of Maharashtra and Karnataka.

- The corridor will start from Bengaluru, passing through Tumkur, Chitradurga, Hubli, Dharwad and Belgaum (in Karnataka), Kolhapur, Sangli, Satara, Karad and Pune, and end in Mumbai (in Maharashtra).
- The BMEC will be developed on the model of the DMIC. The Union government has appointed the DMICDC as the nodal agency for the development of the project.
- Actual work on the project is expected to commence in 2015.

AMRITSAR-KOLKATA INDUSTRIAL CORRIDOR (AKIC)

The setting up of Amritsar-Kolkata Industrial Corridor (AKIC) was approved in January 2014. AKIC will be developed in a band of 150-200 km on either side of the Eastern Dedicated Freight Corridor (EDFC) in a phased manner.

- AKIC will be spread across a belt of at least 5.5 lakh sq km comprising 20 cities in seven states of Punjab, Haryana, Uttar Pradesh, Uttarakhand, Bihar, Jharkhand and West Bengal.
- In the Phase-I of the AKIC project, each state is encouraged to promote at least one cluster of about 10 sq km area to be called Integrated Manufacturing Cluster (IMC), in which 40% area would be earmarked permanently for manufacturing and processing activities.
- The IMCs envisaged under the project would be entitled to all the benefits available under the National Manufacturing Policy (NMP) 2011.

OBJECTIVES APPROACH
AND METHODOLOGY

OBJECTIVES OF THE STUDY

The study would examine the growth dynamics of the Indian manufacturing sector its performance and the potential it can achieve in the coming times. The specific objectives of the study pertain to:

1. To study the structure and growth of manufacturing sector in India
2. To analyse the growth dynamics of the manufacturing sector in India with regard to its competitiveness, sectoral concentration, vertical and horizontal integration, sourcing of raw materials and export potential/global integratedness.
3. To know the operational issues faced by manufacturing sector with regard to infrastructure facilitation, availability of credit, access to capital, availability of land, identification of new markets, environmental clearances, simplification of taxation, etc.
4. To analyse the operational challenges faced by the manufacturing sector with regard to scale of operation, sector specific issues, state specific issues, nature of firm (foreign/domestic) and domestically oriented or export oriented.
5. To analyse the growth prospects of the manufacturing sector in India with reference to make in India and made in India.
6. Conclusions: Suggestions for Make in India and Made in India.

APPROACH AND METHODOLOGY OF THE STUDY

The present study is an attempt to understand the global and domestic outlook of manufacturing sector, growth dynamics, opportunities and challenges for manufacturing firms particularly in the states under the influence of DMIC.

The key activities ranged from preparation of questionnaires, data retrieval, verification of the survey findings, and input from entrepreneurs, top management personnel and industry experts.

For data collection, the report takes into consideration both primary and secondary data sources. The primary data collection comprises of in-depth field survey of the manufacturing firms through structured questionnaires and discussions with the key representatives of the manufacturing and the collection of secondary data includes sources like such as government reports, journals, newspapers and others.

For sample selection, the manufacturing firms in states under the influence area of DMIC were approached. For the selection of manufacturing representatives, the field survey has been undertaken ensuring the representation of all categories of manufacturing units. In total, we have approached around 147 top or middle representatives of the manufacturing belonging to the states which are covered by DMIC.

The survey takes into consideration the business environment in the states covered by the DMIC and analyses the states which provide conducive environment for pursuing the Make in India initiative of the Hon'ble Prime Minister.

Sample Selection-- DMIC Corridor

Delhi-Mumbai Industrial Corridor (DMIC) project is one of the world's most innovative and inspiring infrastructure projects. Government is developing DMIC as a global manufacturing and investment destination utilizing the 1,483 km-long, high-capacity western Dedicated Railway Freight Corridor (DFC) as the backbone.

- The DMIC states (Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat & Maharashtra)

contribute 43% to the country's GDP and more than half of India's industrial production and exports.

- New DMIC Cities will help to meet increasing pressures of urbanization in the country and also enhance India's economic growth in the coming years.
- Project Influence Area (PIA) for DMIC comprises of 436,486 sq km area, which constitutes 13.8% of geographical area of overall India.
- Based on the area distribution, PIA of DMIC comprises of seven states and two union territories:
 - o Delhi, Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat, Maharashtra
 - o Daman & Diu, Dadra & Nagar Haveli

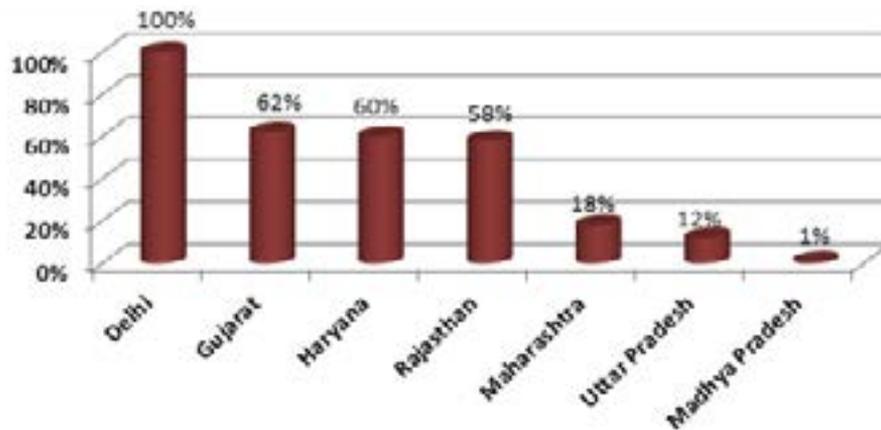
DMIC State	Area under Project Influence Area (Sq Km)	Total Area of Impacted State (Sq Km)	Percent Total Area of Respective state under PIA
Delhi	1,483	1483	100%
Haryana	26,410	44,212	60%
Rajasthan	198,849	342,236	58%
Gujarat	120,706	196,024	62%
Maharashtra	56,760	307,713	18%
UT of Dadra & Nagar Haveli	491	491	100%
UT of Daman & Diu	122	122	100%
Uttar Pradesh	28,265	238,566	12%
Madhya Pradesh	2,866	308,144	1%
Uttarakhand	533	53,566	1%
Total of All States under Influence	436,486	1492557	29.20%

Source: PHD Research Bureau, compiled from Concept Paper Delhi-Mumbai Industrial Corridor, Aug 2007

Expected outcomes of DMIC-

- The project aims to double employment potential, triple industrial output and quadruple exports in the next seven to nine years.
- Twenty four manufacturing cities are envisaged in the perspective plan of the DMIC project.
- In the first phase, seven cities are being developed, one each in the states of Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh and Gujarat and two in Maharashtra.
- These manufacturing cities will provide investors with a diverse set of profitable investment opportunities. The initial phase of the new cities is expected to be completed by 2019.
- The focal point of the project would be the development of the sectors including general manufacturing, IT/ITES, automobiles, metallurgical products, heavy engineering, electronics, agro and food processing, pharmaceuticals and services sector.
- The project has been planned in partnership and collaboration with the Government of Japan and is being implemented by the Delhi-Mumbai Industrial Corridor Development Corporation (DMICDC).

Area of the State under influence of DMIC



Source: PHD Research Bureau, compiled from DMIC concept paper, DMICDC

Cities/ Districts under the influence area of DMIC

State	Cities/ Districts under the influence area of DMIC
Rajasthan	Ajmer, Nagaur, Pali, Jhunjhunu, Jaipur, Bhilwara, Chittaurgarh, Kota, Jodhpur and Udaipur
Madhya Pradesh	Neemuch, Mandsaur, Ratlam, Dhar and Jhabua districts.
Gujarat	Amreli, Bhav Nagar, Palanpur, Mahesana, Ahmedabad, Vadodara, Bharuch, Surat, Vapi and Valsad
Maharashtra	Bhiwandi , Dahanu Road, Virar, Vasai Road, Diva and Jawaharlal Nehru Port, Navi Mumbai, Pune, Nasik
Haryana	Gurgaon* and Faridabad*
Uttar Pradesh	Ghaziabad*, Noida*, Meerut,

*Also a part of NCT of Delhi

KEY

FINDINGS

PROMISING AREAS FOR MANUFACTURING, TRADE AND INVESTMENTS

- Agro and food processing industry
- Auto components & automotive industry
- Drugs & pharmaceuticals
- Engineering
- FMCG industry
- Gems and jewellery
- Infrastructure
- Leather and leather products
- Services sector
- Textile and readymade garments

According to the survey conducted, the respondents were asked about the promising sectors of investment in the coming times. Based on their responses, following sectors have been identified as the promising areas of investment for domestic as well as international investors.

1. Agro and food processing industry

- The food processing sector accounts for 9% of manufacturing GDP, nearly 12.1% of India's exports, 6% of India's industrial investments and 16.4% of FDI in 2013-14.
- Currently, Indian Food Processing Industry has been growing at an Average Annual Growth Rate (AAGR) of around 8.4%.
- 32% of the country's total food market is supplied by Indian food processing industry.

2. Auto components & automotive industry

- The growth of the auto industry is critical to increase the share of manufacturing in overall economy to 25% by 2022
- Accounts for 22% of the manufacturing GDP, thus contributing to national GDP and employment generation
- Emerged as the sunrise sector as India has emerged as the 6th largest vehicle manufacturer in the world
- Automotive industry contributes 21% to country's excise duty collection, surpassing France, UK and Italy's excise collection from the sector
- Today India is the largest manufacturer of tractors, second largest manufacturer of two wheelers, fifth largest manufacturer of commercial vehicles and fourth largest passenger car market in Asia.

3. Drugs & pharmaceuticals

- The Indian pharmaceutical industry contributes around 10% to the total world production.
- Over the last five years, the Indian pharmaceutical industry has shown a compounded annual growth rate (CAGR) of more than 15%.
- Indian drugmakers export to around 220 countries including the US, Kenya, Malaysia, Nigeria, Russia, and many more.
- Currently, the US is the biggest export destination for India which accounts for 22% of the sector's exports.

4. Engineering

- The Indian engineering industry observed tremendous growth in recent years
- Directly or indirectly employs about 4 million skilled and semi-skilled workers.

- Most of the leading players are engaged in the production of heavy engineering goods and mainly produces high-value products using high-end technology.
- The Indian engineering industry is increasingly attaining global recognition especially for its low-cost, high-tech frugal innovation technology.
- Outsourcing of industrial engineering design by International companies in sectors like semiconductors, automotive hybrid technologies, power generation equipments, aerospace, and consumer electronics.

5. FMCG industry

- Fourth largest sector in the economy
- Total market size in excess of US\$ 44.9 billion in 2013-14.
- Ample opportunities are present given the high annual growth rates and low penetration levels, across categories.
- Immense scope for growth due to demand from rural markets
- The growing Indian population particularly the middle class provide an opportunity to makers of branded products

6. Gems and jewellery

- Over the years, consumption of gold and jewellery products in India has grown rapidly at the rate of 10-15% per annum and today
- The domestic market of Gems and jewellery is estimated to be over US\$ 30 billion
- Employs about 3.4 million workers
- Contributes about 14% to India's total exports with the Middle East taking most of the market
- Marked with low cost production, highly skilled and cheap artisan force

7. Infrastructure

- Development of infrastructure is important for sustainable and all-inclusive economic growth
- The total investment in infrastructure is estimated to increase from 5.7% of GDP in the base year of the Eleventh Plan to around 8% in the last year of the Twelfth Plan.
- Share of private investments in infrastructure investment increased to 38% in the Eleventh Plan and is expected to be about 48% during the Twelfth Five Year Plan.

8. Leather and leather products

- The Leather Industry holds massive potential for employment, growth and exports.
- This sector is known for its consistency in high export earnings.
- The sector is among the top ten foreign exchange earners for the country.
- The Leather industry is bestowed with an affluence of raw materials as India is endowed with 21% of world cattle and buffalo, and 11% of world goat and sheep population.
- The leather industry is an employment intensive sector, providing job to about 2.5 million people, mostly from the weaker sections of the society.

9. Services sector

- In recent years, India's services sector has gained prominence in terms of its contribution to national and states incomes, trade flows, FDI inflows, and employment.
- Covers a wide array of activities ranging from telecommunications, satellite mapping, computer software services, shipping, tourism, real estate and housing, infrastructure-related activities like railways, roadways and social sector related activities such as health and education

- Strong demand over the past few years has placed India amongst the fastest growing IT markets in Asia-Pacific region

10. Textile and readymade garments

- The Indian Textiles Industry has an overwhelming presence in the economic life of the country
- About 4% of the country's GDP constitutes of the textiles sector production
- Around 14% of the industrial production comes from the textiles and readymade garments industry
- Around 11% of the country's export earnings are made up of textiles and readymade garments exports
- Second largest provider of employment after agriculture over 35 million people are directly employed under this sector.
- India contributes about 12% to the world production of textile fibers and yarns.
- India bestowed with sound raw material base, easily available low-cost skilled and unskilled labor, high domestic demand, and higher purchasing power, has contributed to the growth of this textile sector.

KEY FEATURES OF PROMISING SECTORS

Agro and food processing industry

- The food processing sector accounts for 9% of manufacturing GDP, nearly 12.1% of India's exports, 6% of India's industrial investments
- Indian Food Processing Industry has been growing at an Average Annual Growth Rate (AAGR) of around 8.4%.

Auto components & automotive industry

- The sector accounts for 22% of the manufacturing GDP
- India is the largest manufacturer of tractors, second largest manufacturer of two wheelers and fifth largest manufacturer of commercial vehicles

Drugs & pharmaceuticals

- The sector directly or indirectly employees about 4 million skilled and semi-skilled workers
- The Indian pharmaceutical industry has shown a compounded annual growth rate (CAGR) of more than 15%

Engineering

- The sector directly or indirectly employees about 4 million skilled and semi-skilled workers.
- The Indian engineering industry is increasingly attaining global recognition especially for its low-cost and high-tech frugal innovation technology

FMCG industry

- The Indian FMCG market is the fourth largest sector in the economy
- It has a total market size in excess of US\$ 44.9 billion.

Gems and jewellery

- The domestic market for Gold is estimated to be over US\$ 30 billion
- Indian gems and jewellery industry contributes about 14% to India's total exports and employs about 3.4 million workers

Infrastructure

- efficient infrastructure network is essential for sustainable and all-inclusive economic growth
- Their share in infrastructure investment increased from 22% in the Tenth Five Year Plan to 38% in the Eleventh Plan and is expected to be about 48% during the Twelfth Five Year Plan.

Leather and leather products

- The leather industry is an employment intensive sector, providing job to about 2.5 million people
- The sector is among the top ten foreign exchange earners for the country.

Services sector

- India amongst the fastest growing IT markets in Asia-Pacific region.
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Textile and readymade garments

- about 14% of the industrial production comes from the textiles and readymade garments industry
- 11% of the country's export earnings are made up of textiles and readymade garments exports

ROADBLOCKS TO
MAKE IN INDIA

1. PROCEDURAL BOTTLENECKS

According to the survey, following roadblocks have been identified by the respondents which may impede growth and hamper the implementation of Make in India initiative.

Land Acquisition-- 93% of the respondents have said that the current laws make acquisition costly as well as tedious. A robust Land Acquisition policy which would make acquisition much easier along with an attractive R&R package is essential for investment in infrastructure and manufacturing.

Labour Laws-- 89% of the units have responded that India's labour laws are rigid and inflexible that needs to be addressed. Progressive labour laws would create more job opportunities in the market and would contribute towards the growth of manufacturing sector.

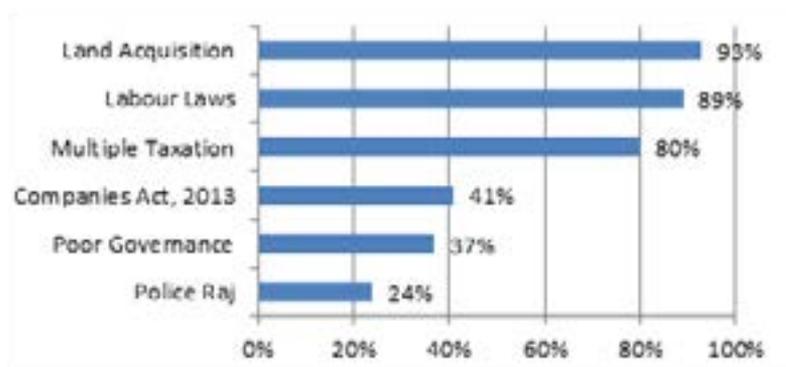
Multiple Taxation-- 80% of the respondents opine that there is a need for simplification of tax laws and earliest implementation of GST to remove multiple taxation and to rationalize the tax system.

Companies Act 2013-- About 41% of the respondents said that the Companies act in its current form is detrimental for all the companies. The Act of 2013 need to be scrapped instead of making any attempt of modifying it and a fresh act in spirit of corporate governance should be drafted.

Poor Governance-- 37% of the respondents said that poor governance may impede growth in the economy. They believe that good governance is essential for manufacturing sector growth and for the success of Make in India initiative. The government must fast track all pending cases of corruption.

Police Raj--24% of the respondents also said that there is an urgent need to drastically overhaul the Police Raj to make it people friendly .Police is the most important arm of the Government which interacts which the common man directly and we need to define a system where police is viewed as a friend of the Common man on the street and should facilitate the growth of industry.

Roadblocks to Make in India (in percentages)



Source: Exploring Prospects for Make in India and Made in India: A Study

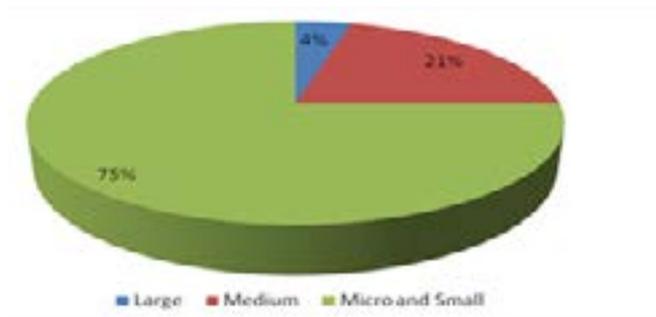
Note: Respondents have chosen more than one option

2. OPERATIONAL PROBLEMS FACED BY THE BUSINESSES

To know about the operational problems faced by the firm, a structured questionnaire was prepared and circulated to various manufacturing firms including members of PHD Chamber which are covered under the DMIC to know the prospects for Make in India in the DMIC corridor. Majority of the respondents in all the states face problems relating to shortage of power, heavy and dual taxation, increased cost of doing business, shortage of water, high power rates, lack of connectivity and transportation facilities, difficulties in marketing and selling, complex law related compliances, heavy documentation, problems in land procurement, poor access to finance by smaller firms, Infrastructural constraints, bureaucratic hurdles, unskilled workforce and limited R&D.

A total of 147 manufacturing firms with around 16 industry associations were covered as a part of field study in 7 states which the span the DMIC Corridor. The survey covered around 4% large firms, 21% medium firms while 75% of the firms surveyed were micro and small enterprises.

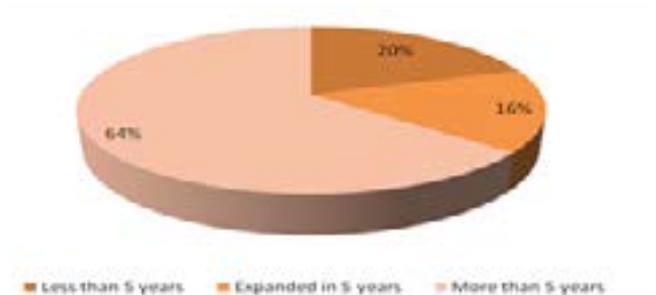
Scale of unit (in percentage)



Source: Exploring Prospects for Make in India and Made in India: A Study

Out of these firms, around 20% of the firms have been in operation for less than 5 years, 16% of the firms have expanded in the last 5 years while 64% of the firms have been in operation for more than 5 years.

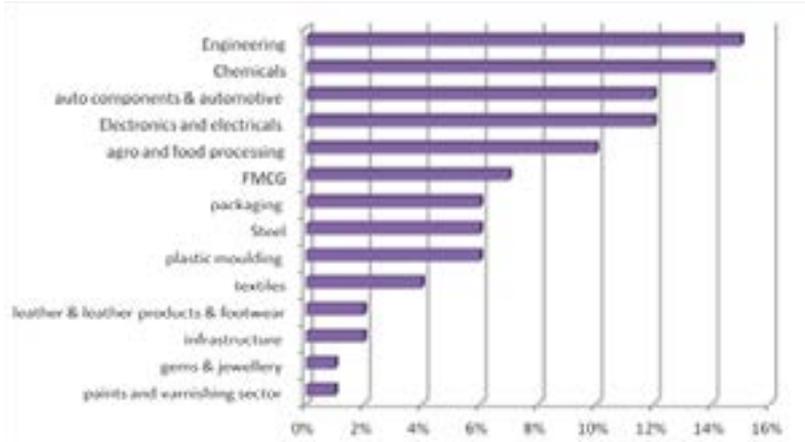
Scale of unit (in percentage)



Source: Exploring Prospects for Make in India and Made in India: A Study

Out of the total surveyed units, majority of them (15%) are operating in engineering sector followed by chemicals (14%), electronics & electrical (12%), auto components & automotive (12%), agro and food processing (10%), steel (8%), FMCG (7%), plastic moulding (6%), packaging (6%), textiles (4%), infrastructure (2%), leather & leather products & footwear (2%), paints and varnishing sector (1%) and gems & jewellery (1%).

Sector of Operation



Source: Exploring Prospects for Make in India and Made in India: A Study

STATE WISE OPERATIONAL
PROBLEMS

HARYANA

Operational Problems faced by businesses in Haryana

- Labor unrest
 - 55% of the firms face the problem of labor unrest
 - Multiplicity of labour laws
- Difference in the minimum wages between Haryana and Rajasthan leading to
 - Conflicts
 - Shifting of workforce
- Infrastructure constraint
 - Lack of basic amenities
 - Poor transportation facility and connectivity
 - Power cuts
 - shortage of water
- Dual Taxation-
 - 61% of the respondents reported that they have to pay multiple taxes such as road tax, property tax.
- Administrative Procedures
 - Cumbersome
 - Time consuming
 - No single window mechanism in practice
- Lack of access to finance
 - 65% of the respondents stated that banks are not willing to give loans to small enterprises.

With over 60% area of the state under DMIC, Haryana is an important state for DMIC project.

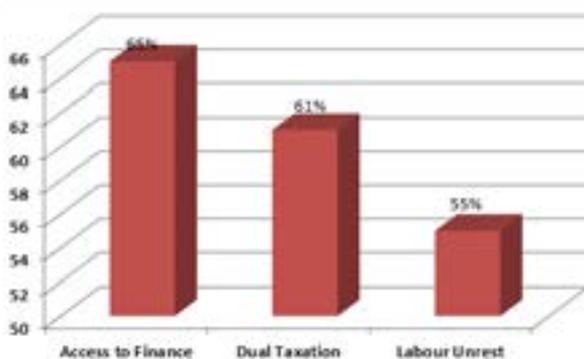
- The State has its manufacturing stronghold particularly in sectors like automobile & auto components, light engineering goods, IT & ITES, textile & apparels and electrical & electronic goods.
- Presently, the industrial sector of the state contributes nearly 28% in the state's GSDP.

Share of Industry in Haryana's GSDP

Year	Share of Industry in Haryana's GSDP
2004-05	32.90%
2009-10	30.10%
2013-14	27.70%

Source: PHD Research Bureau, compiled from CSO

Operational problems faced by businesses in the state of Haryana (in %)



Source: Exploring Prospects for Make in India and Made in India: A Study

Note: Respondents have chosen more than one option

UTTAR PRADESH

Uttar Pradesh primarily being an agrarian economy has shown steady improvement in its industrial scenario over the years though it still falls behind a number of states.

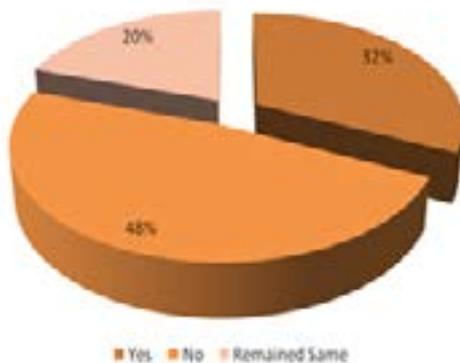
- The industrial sector of the state contributes nearly 21.2% in its GSDP.
- The key Industries in Uttar Pradesh are Information technology, agro processing, tourism, mineral-based industries, textiles, handloom and handicrafts, food processing and sports goods.

Year	Share of Industry in Uttar Pradesh GSDP
2004-05	23.30%
2009-10	24.50%
2013-14	21.20%

Source: PHD Research Bureau, compiled from CSO

According to the survey, majority of the survey respondents (58%) face problems in procuring loans from banks. The manufacturing units in the state face lot of difficulties. About 48% of the respondents said that there have been no improvements in the infrastructure in UP while 20% of them responded that the infrastructure facilities have remained the same. Almost all the respondents felt that infrastructure is one of the grey areas of the region which impacts the activities of the manufacturing units. Electricity is a major issue as there are long power cuts which and the electricity rates are higher than other states which make it less viable to any business units to set up their enterprises in the state.

Survey Response on Infrastructural Improvement (in %)



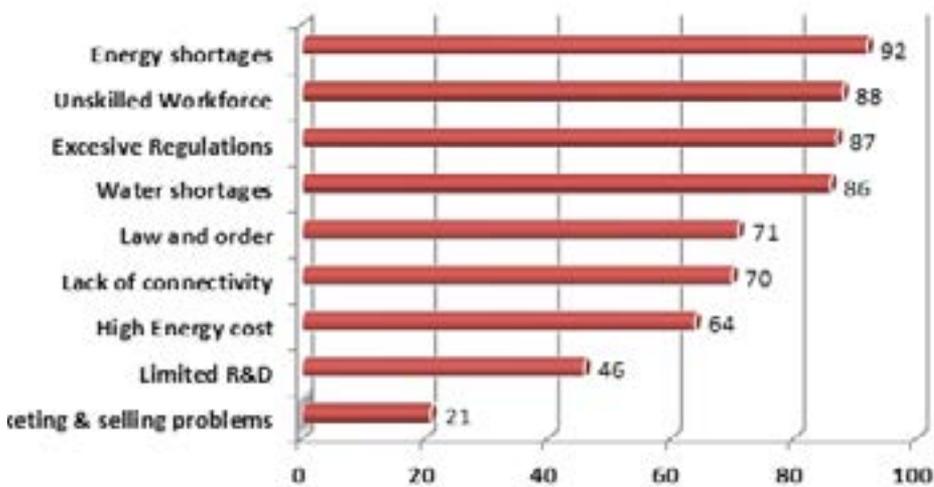
Source: Exploring Prospects of Make in India and Made in India: A Study

The respondents opined that they are exposed to various operational challenges. According to the survey, a large share of the respondents (92%) opined that energy shortages is one the key operational challenges, followed by unskilled workforce(88%), excessive regulations (87%) , water shortages (86%), problems with law and order(71%), lack of connectivity and transportation facilities(70%), high energy cost (64%), limited R&D (46%), , and difficulties in marketing and selling (21%).

Operational Problems in Uttar Pradesh

- Availability of Finance
 - 55% of the respondents face problems in loan procurement from the banks
- Infrastructural Problems
 - 70% of the respondents face the problem of poor connectivity and transportation facilities
 - Long power cuts
 - According to 64% of the firms, they face high electricity and energy rates.
 - According to the 92% of the respondents, energy shortages is one the key operational challenges
 - 86% of the units face water shortages
- Unskilled workforce
- Tax Burden-
 - Overburdening Central Sales Tax and VAT
 - Multiple taxation issues
- Labour availability and rigidity

Operational problems in the state of Uttar Pradesh (in percentages)



Source: Exploring Prospects of Make in India and Made in India: A Study

Majority of the respondents felt that overall tax burden has increased in last three years and most overburdening taxes have been found to be Central Sales Tax and VAT. However, almost all the MSMEs stakeholders felt that the implementation of GST is expected to reduce the burden of taxation on them in the coming times.

RAJASTHAN

Rajasthan is known for its cultural heritage and has over the years has embarked on the path of economic progress.

- The state of Rajasthan is dominated by Mineral-based industries, agriculture-based and textile industries.
- It is an important manufacturing base for a wide range of products, ranging from gems & jewellery, handicrafts, synthetic and cotton textile yarn, wool, marble and granite slabs, edible oils, chemicals, rubber to plastic based items, fertilizers.
- The industrial sector of the state contributed nearly 29% in the state's GSDP in 2013-14.

Problems faced by MSMEs in Rajasthan-

- **No single window clearance mechanism in construction related approvals**
- **Access to finance**

Year	Share of Industry in Rajasthan's GSDP
2004-05	30.60%
2009-10	32.60%
2013-14	28.50%

Source: PHD Research Bureau, compiled from CSO

In the survey conducted in the state, about 36% of the respondents said that they are satisfied with single window clearances. However, for construction related approvals there are no single window clearance mechanisms for the time being. Majority of the MSMEs operating in the state are also not able to avail the benefit as it is only applicable for projects with investment greater than Rs.1 Crore.

According to the survey, 61% of the respondents said that the state government has been doing its best in meeting the power demand as there are less power cuts compared to other states where these firms have their other establishments.

However, 53% of the respondents opined that they face difficulty in obtaining basic finance particularly the MSMEs.

Responses from the state of Rajasthan

- 36% of the units responded that they are satisfied with single window clearances
- 61% of enterprises said that digitization of property records has simplified the procedure of starting a business
- 47% of the respondents said that the simplification of VAT has reduced time and effort required for filing process
- 61% of the respondents feel that the number of power cuts have reduced
- 48% of the respondents opined that recently launched e-stamping facility launched in 2011 has reduced the cost of doing business
- 71% of the respondents felt that the reforms in labor laws will enable them to do business more efficiently

MADHYA PRADESH

The state of Madhya Pradesh is largely resource driven and leveraging the state's natural wealth in the form of limestone, coal, soya, cotton, bauxite, iron-ore, silica etc due to which the state has a strong industrial base.

- The industrial sector of the state contributed nearly 26% in the state's GSDP in 2013-14.

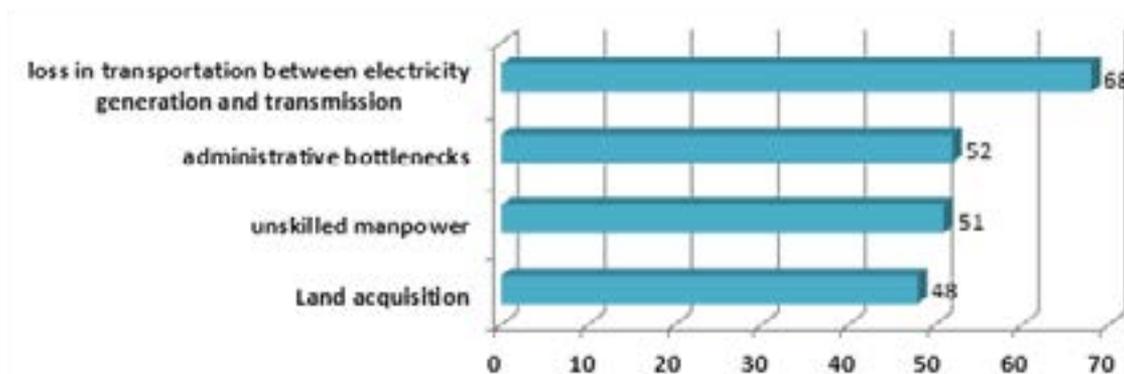
Year	Share of Industry in Madhya Pradesh GSDP
2004-05	27.20%
2009-10	30.10%
2013-14	25.60%

Source: PHD Research Bureau, compiled from CSO

The business houses in Madhya Pradesh have responded that they face the following problems-

- About 48% of them face problems in land acquisition for industrial and manufacturing purposes
- 68% of the units have responded that there is loss in transportation between electricity generation and transmission
- 52% of the enterprises have opined that Industry in Madhya Pradesh face administrative bottlenecks.
- 51% of industrial enterprises face problems of unskilled and untrained manpower.

Operational Problems faced by manufacturing units in Madhya Pradesh (in percentage)



Source: Exploring Prospects of Make in India and Made in India: A Study

Note: Respondents have chosen more than 1 option

Apart from these, infrastructural constraint in the form of paucity of airports is also a cause of concern for industries of the state. Industries also face the problem of double taxation which impacts their future growth.

MAHARASHTRA

Maharashtra is a leading industrial state of India and is known for its manufacturing in chemical and allied products, electrical and non-electrical machinery, textiles and petroleum products.

- The contribution of industrial sector of the state in its GSDP has been consistent and was recorded at 28.4% in 2013-14.

Year	Share of Industry in Maharashtra's GSDP
2004-05	29.60%
2009-10	30.00%
2013-14	28.40%

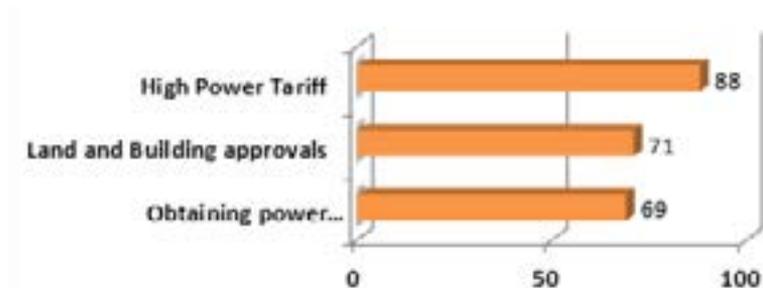
Source: PHD Research Bureau, compiled from CSO

Majority of the respondents (74%) are satisfied with finance and tax related compliances in the state as the state provides online filing of VAT. However (56%) respondents indicated that though online registration facilities were there in these states, the entrepreneur still had to visit the department to submit hardcopies of the required documents. Further, most of the respondents (67%) were satisfied with the environment clearances as there is an online process of tracking the clearance procedure. The respondents said that they were satisfied (81%) with the online application system for obtaining/ renewal of NoC from fire department. Further they also reported that they are satisfied with the procedure of obtaining a water connection.

Operational problems faced by industries in the state-

- The industrial units in Maharashtra face problems in registration/ renewal of license related to Factories Act as the process is manual and cumbersome.
- Further, 69% of respondents were not satisfied with the process involved in obtaining a power connection.
- The manufacturing are also not satisfied with the land and building related approvals as majority of the respondents (71%) expressed dissatisfaction with excessive documentation and need for multiple visit to the concerned agencies.
- Further, 88% of the respondents are dissatisfied with high power tariffs.

Operational Problems faced by businesses in Maharashtra (in percentage)



Source: Exploring Prospects of Make in India and Made in India: A Study

Note: Respondents have chosen more than 1 option

The average power tariff for industry in Maharashtra is highest among 20 states at around 772 paise/kwh which is about 87% higher than power tariffs in Uttarakhand and 27% higher than tariffs in Gujarat making it less viable for businesses in Maharashtra.

State-wise average power tariff for Industry in paise/ kwh)

S.No	Name of the state	2012-13	2013-14
1	Maharashtra	716.36	771.81
2	Uttar Pradesh	653.65	736.35
3	Tamil Nadu	702.09	735.76
4	Bihar	583.58	671.12
5	West Bengal	641.54	650.45
6	Jharkhand	603.19	632.24
7	Karnataka	585.35	610.18
8	Gujarat	591.63	607.9
9	Punjab	580.62	586.68
10	Rajasthan	474.2	582.25
11	Madhya Pradesh	563.46	580.61
12	Haryana	574.08	573.01
13	Kerala	537.08	567.86
14	Assam	537	537
15	Andhra Pradesh	546.52	535.88
16	Chattisgarh	470.06	480.82
17	Himachal Pradesh	422.3	430.77
18	Meghalaya	436.77	429.38
19	Uttarakhand	414.16	413.46
20	Jammu & Kashmir	340.92	340.92

Source: PHD Research Bureau, compiled from Planning Commission

Note: Data for Delhi and Orissa are unavailable

GUJARAT

Gujarat emerged as one of the leading industrial states and an investment destination during the last decade due to its industry friendly environment.

- The industrial sector of the state contributed nearly 39% in the state's GSDP in 2013-14 while it was as high as 44% in 2009-10.
- Some key sectors in the State are Petrochemicals, Chemicals and Pharmaceuticals business, Agriculture Infrastructure and Gems and Jewellery.

Year	Share of Industry in Gujarat's GSDP
2004-05	40%
2009-10	43.70%
2012-13	39.2%

Source: PHD Research Bureau, compiled from CSO

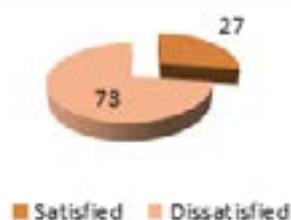
The respondents expressed satisfaction in-

- Majority of the respondents (63%) said that they were satisfied with getting land and building approvals as there is an online system for filing though it takes around 3-5 months in the whole process.
- 78% of the respondents were satisfied with the finance and tax related compliance as it takes around a week for the registration and is also an online system for applying for disbursement of incentives.
- About 73% of the respondents said that they are satisfied with the procedure in obtaining power connections.
- Online system for obtaining a new water connection
- 64% of the respondents expressed satisfaction in single window clearance mechanism

Operational problems faced by the firms in the state-

- Though there is online system of registration for obtaining environmental clearances, the respondents said that it takes around 3-4 months.
- The respondents also presented their dissatisfaction at the manual system for labor law related compliances. 77% of the respondents opined that there should be online system for filing labor laws related compliance and the process should be made faster to facilitate the industrialists in the state.

Survey Response on procedure in obtaining power connections



Source: Exploring Prospects of Make in India and Made in India: A Study

DELHI

Delhi being the capital of the country is known for its key industries which include Information Technology, Telecommunications, Hotels, Media, Banking and Tourism.

- With an economic growth rate of 9.3% in 2013-14, Delhi is one of the fastest growing states of the country.
- The industrial sector of the state contributes nearly 9.2% to its GSDP.

Year	Share of Industry in Delhi's GSDP
2004-05	18.40%
2009-10	13.90%
2013-14	9.20%

Source: PHD Research Bureau, compiled from CSO

Operational Problems in the state of Delhi

- Infrastructural constraints
 - 82% of the enterprises face infrastructure constraints in term of long procedure required to obtain power connections
 - Power cuts and high energy cost
- 66% of the respondents said that the administrative procedures are cumbersome and time consuming
 - problems in registration and renewal of license as there is no single window clearance mechanism in practice
- 71% of the respondents complain of high taxation
- Problems relating to certification faced by MSMEs
- MSMEs face problems while obtaining clearances from pollution control department
- 40% of the units have also responded that procedure of obtaining environmental clearances is time consuming and cumbersome and not industry friendly

STATES' POLICY
ENVIRONMENT

1. POLICY OUTLOOK

States	Industrial Policy
Haryana	The major area of concern of industrial policy of Haryana is on encouraging private sector participation in infrastructure projects, simplification of rules & procedures, self-certification, timely delivery of services, use of Information & Communication Technology (ICT) for hassle-free and timely approvals, research & development, technology upgradation & modernization and strengthening of Small & Medium Enterprises (SMEs) through cluster development. Further, National Solar Mission is a major initiative of the Government to promote ecologically sustainable growth while addressing energy security challenges.
Delhi	The vision of the Industrial policy 2010-2021 is to make Delhi a hub of clean, high technology and skilled economic activities by the year 2021 by promoting cluster development, facilitating business by simplification and e-enabling services and Infrastructure development. The policy also envisages setting up of SEZs, phasing out of polluting units, industrial parks and redevelopment of industrial areas on a public-private-partnership basis, development of educational services, business and financial services, media, R&D, promotion of traditional industries such as Khadi, Handloom and Handicrafts, establishment of 'Centre of Excellence' to promote innovation and entrepreneurship in high technology and knowledge based industry.
Gujarat	The state of Gujarat has been one of the highly industrialized states in India. With speedy implementation of the reforms and 60 approved Special Economic Zones, 21 registered Industrial Parks and 83 identified Industrial Clusters, the state has generated vast scope for employment of technically competent manpower. The industrial policy of Gujarat has given importance to Promotion of Agri- Business, Fisheries Development, IT/ITeS Industries, Non-Conventional Energy. Further, Cluster based approach is increasingly being recognized by the state as sustainable, cost-effective method for industrial development. The state has given due importance to policy of inclusive strategy to ensure competitiveness and improvement of Micro, Small and Medium Enterprises (MSMEs).
Madhya Pradesh	The industrial policy of the state has identified thrust sectors which include Automobiles and Auto components, Textiles, Tourism, IT, Healthcare, Skill development, Pharmaceuticals, Renewable energy, Biotechnology, Logistics and warehousing which provide the required impetus to economic growth. The Industrial Promotion Policy 2014 aims to improve the business environment by simplifying the procedures across various departments and by constituting a Cabinet Committee on Investment promotion. State Industry Advisory Council has been constituted to strengthen Public-Private Dialogue and to discuss industry trends, policy suggestions and regulatory reforms. The regulations, procedures, approvals, permissions, licenses have been further rationalized to reduce redundancy.

States	Industrial Policy
Maharashtra	The policy target is to achieve manufacturing sector growth rate of 12-13% per annum, achieve manufacturing sector share of 28% of state's GDP, create jobs for 2 million persons and to attract investment of R.s 5 lakh crore. The Industrial policy initiatives include incentives for mega industrial projects and setting up of integrated cell to carry out various investments promotion activities. To create incentives for large projects, various incentives were launched under Industrial promotion subsidy scheme. Further, the policy emphasizes on holistic approach to MSME development through creation of incentives for MSME projects.
Rajasthan	The industrial policy of Rajasthan provides various incentives for industrial growth which include subsidies, power concessions, land and building tax exemption, and special land package for IT industries. Further, the state government has reserved one-third of its developed industrial area for small and medium enterprises which has led to many MSMEs set up their industrial houses in Rajasthan. Recently, the state has also paved the way for first set of labor reforms by giving assent to amendments to three labor laws relating to the Industrial Disputes Act, 1947, the Contract Labour Act, 1970 and the Factories Act, 1947.
Uttar Pradesh	The industrial policy of Uttar Pradesh aims to achieve industrial development growth rate of 11.2% per annum, aligned with the target of 10% per annum growth in State Gross Domestic Product (SGDP) as envisaged in the Twelfth Five Year Plan. The policy aims to strengthen the existing industrial capacity and create new employment opportunities across all economic sectors. Further, The policy focuses on developing the infrastructure facilities and improving the industrial environment. Also Encouraging Micro, Small and Medium Enterprises (MSMEs), financial incentives, developing skill and capacity of human resources to enhance their employability is the key area of concern of the industrial and investment policy.

Gujarat is the best performing state on all 11 critical parameters affecting business environment in a state.

Madhya Pradesh ranks first in the strength of the economy as the state recorded an average growth rate of 10% which is the highest among DMIC states

The states of Gujarat and Rajasthan have been rated highest in the single window mechanism and facilitation in land acquisitions that have positively impacted the businesses in these states.

Gujarat has been rated highest among all DMIC states in infrastructure development, power infrastructure, tax burden, transportation and policy facilitation.

The states of Haryana and Rajasthan has been rated highest among all DMIC states in labor laws related compliances.

Maharashtra has been rated highest among all states by the respondents in ease of starting a business and obtaining environmental clearances.

SIGNIFICANCE OF STATES TO ACHIEVE INCLUSIVE GROWTH

The role of the states in shaping the economic environment of India has been immense, despite globalization and liberalization of the Indian economy. Though the states are quite diverse in terms of area, population or governance, they are operating under similar policy environment and hence endowed with almost equal opportunity to grow and prosper. Although, traditionally most of the states' economies were largely dependent on agriculture, the recent expansion of the service sector and consequent robust economic growth in the states is indeed a major development. The service sector has contributed to massive employment generation in most of the states while the industrial sector has flourished in only a few states. At this juncture, when the Indian economy is impacted by structural grass root level problems, the role of states is expected to be increasingly more critical in sustaining the overall development of the country and in overcoming several problems which are challenging its growth, like easing the supply side constraints in the economy, upskilling the labour force, increasing manufacturing competitiveness and achieving fiscal consolidation. States also play a pivotal role in implementing social welfare schemes and ensuring that the benefits percolate to the grassroots-levels. Going ahead, the state policies should be focusing on diversifying the beneficiaries of these programmes and ensuring inclusive growth in the country.

Globally, India ranks 102nd among 132 countries on the Social Progress Index developed by US based non profit group Social Progress Imperative which measures human well being. Out of the BRICS countries, only India ranks lower than 100th position with China being the next lowest at 90th position and Brazil being the highest at 46th.

Summary of economic indicators of Northern & Central states of India

Macro-Economic components	Bihar	Chattisgarh	Delhi	Haryana	HP	J&K
Real GSDP (Rs. bn) ¹	1786	922.1	2361.6	2010.8	472.5	454.0
Geographical Area (Sq Km)	94163	136034	1483	44212	55673	222236
Population Size (mn) ²	103.8	25.5	16.8	25.4	6.9	12.5
Economic Growth ¹	8.8	7.0	9.3	6.9	6.2	5.9
State GSDP as % of India's real GSDP ³	3.1	1.6	4.1	3.5	0.8	0.8
Per-capita Income (Rs) ¹	16083	28708	127667	68040	54494	31773
Growth of Agriculture Sector ¹	-2.2	2.6	3.2	3.2	13.4	1.4
Growth of Industry Sector ¹	13.5	6.1	1.4	4.1	2.4	3.8
Growth of Services Sector ¹	11.3	10.2	10.3	9.3	6.8	8.5
Value Added by Agriculture Sector ¹	19.7	19.2	0.6	15.1	18.6	20.0
Value Added by Industry Sector ¹	22.9	39.1	9.2	27.0	38.0	23.5
Value Added by Services Sector ¹	57.4	41.8	90.2	58.0	43.3	56.5
Literacy Rates (%) ²	63.8	71	86.3	76.6	83.7	68.7
RD/ GSDP ⁴	-1.9	-1.4	-2.3	0.6	-0.1	-7.5
GFD/ GSDP ³	2.4	3.0	0.5	2.2	2.8	2.7
Debt/ GSDP ⁴	23.3	14.6	6.5	18.4	38.8	53.8

Macro-Economic components	Jharkhand	MP	Punjab	Rajasthan	UP	Uttarakhand
Real GSDP (Rs. bn) ¹	1143.9	2385.3	1730.5	2450.0	4682.7	729.8
Geographical Area (Sq Km)	79714	308000	50362	342239	240928	53484
Population Size (mn) ²	31.2	72.6	27.7	68.6	199.5	10.1
Economic Growth ¹	8.3	11.1	5.3	4.6	5.2	10.0
State GSDP as % of India's real GSDP ³	2.0	4.2	3.0	4.3	8.2	1.3
Per-capita Income (Rs) ¹	30091	27917	50233	30120	19512	61106
Growth of Agriculture Sector ¹	8.2	23.3	0.4	0.2	3.4	4.0
Growth of Industry Sector ¹	5.1	2.1	3.0	3.6	0.8	12.7
Growth of Services Sector ¹	11.4	9.5	8.9	7.1	7.7	9.2
Value Added by Agriculture Sector ¹	15.6	29.0	20.8	20.3	22.0	9.6
Value Added by Industry Sector ¹	39.7	25.6	28.7	28.5	21.5	38.5
Value Added by Services Sector ¹	44.7	45.4	50.5	51.2	56.5	51.9
Literacy Rates (%) ²	67.6	70.6	76.7	67.1	69.7	79.6
RD/ GSDP ³	-1.7	-1.3	0.6	-0.2	-1.1	-0.7
GFD/ GSDP ³	2.2	3.0	3.0	2.5	2.8	2.9
Debt/ GSDP ⁴	20.7	23.9	33.5	24.5	33.2	25.6

Source: PHD Research Bureau, compiled from various sources

RR: Revenue Receipts, GFD: Gross Fiscal Deficit

Note: 1: Data Pertains to FY14

2: Data Pertains to Census 2011

3: Data Pertains to FY14 (BE), Negative (-) sign indicates surplus

4: Data Pertains to FY14 (BE)

FUTURE
OUTLOOK

The DMIC States have been working increasingly to improve their business environment. In light of such a scenario coupled with untapped rural demand and increasing urban consumption, the Indian economy presents brighter growth prospects for Indian as well as international investors, going forward.

During the survey, the respondents were asked about their future outlook in terms of the options they would consider in expanding their businesses in the coming times. Out of the total respondents, 98% of the firms said that they are considering expanding their business in the next five years with majority (100%) planning to increase by organic growth i.e. through increase in their sales and profit. About 74% of the respondent firms plan to target other markets while 62% of them plan to seek FDIs and FIIIs for expansion and diversification. This states that the foreign investors have ample opportunity to come and Make in India. Further, 60% of the firms would also consider the option of location expansion, that is, setting up their business units in other states. On the other hand, 54% of the firms plan to apply for government contracts while 51% of the firms may go in for mergers or acquisitions for expanding their businesses in the next five years.

According to the survey, 40% of the firms may expand their businesses to internet in order to reach to wide range of consumers while 34% may diversify their businesses in the next five years. About 28% of the firms may go in for licensing their product while 26% of the respondents would like to form an alliance with another company. Only 12% of the firms responded that they would offer their business as a franchise to other businesses.

Going ahead, the Indian manufacturing sector provide an excellent opportunity to international investors to collaborate with existing businesses as most of the businesses have plans to expand through various options. This also reiterates the fact that the businesses are actively willing to participate in the Make in India mission of the government.

Percentage of businesses across DMIC States considering different options of Expanding

S.No.	Mode of Expansion	Percentage of firms across DMIC States
1	Location Expansion	60%
2	Offering you Business as a Franchise or business opportunity	12%
3	License your product	28%
4	Form an alliance with a related company	26%
5	Diversification	34%
6	Targeting other Markets	74%
7	Win a Government Contract	54%
8	Mergers and Acquisitions	51%
9	Expand Globally(FDIs & FIIIs)	62%
10	Expand to the Internet	40%
11	Organic Growth	100%

Source: Exploring Prospects for Make in India and Made in India: A Study

Note: Respondents have chosen more than one option

CONCLUSIONS AND SUGGESTIONS

The DMIC Corridor provides excellent investment opportunities to the businesses which is expected to not only facilitate ease of doing business and increase industrial output but is also expected to generate employment opportunities and promote socio-economic growth of India.

The states which are under the influence area of DMIC are Delhi, Haryana, Uttar Pradesh, Rajasthan, Gujarat, Madhya Pradesh and Maharashtra. The business environment in these states were studied to know the operational problems faced by the enterprises in these states, promising sectors of investment, ease of doing business in these states and future outlook of the firms operating in DMIC states.

According to the survey, there are various promising sectors in which the upcoming enterprises can invest. Agro and food processing industry, Auto components & automotive industry, Drugs & pharmaceuticals, Engineering, FMCG industry, Gems and jewellery, Infrastructure, Leather and leather products, Services sector and Textile and readymade garments are the areas where the new startups can invest and where existing enterprises can expand to generate profitable outcomes.

As far as future outlook of the industrial units is concerned, majority of the firms plan to increase their business operations through organic growth that is, through increase in their sales and profit. About 74% of the respondent firms plan to target other markets while 62% of them plan to seek FDIs and FII for expansion and diversification. This states that the foreign investors have ample opportunity to come and Make in India. Further, 60% of the firms would also consider the option of location expansion, that is, setting up their business units in other states.

Thus the firms in these states are willing to expand their operations and diversify their business and look forward to collaborations which can be reaped in by the international community.

It is expected that the new government would undertake additional measures under its ambitious programme "Make in India" which will create more conducive environment for the growth of business in the coming times.

However, there are few problems which are faced by the firms which need to be addressed. Shortage of power, time consuming process of obtaining new power connections, power cuts, high electricity rates and energy cost is a major problem faced by the firms which make it less viable for any business units to set up their enterprises.

There are infrastructure constraints in terms of lack of basic amenities, proper transportation facility and connectivity. Further, the administrative procedures are complex and time consuming. There is no single window mechanism in practice and hence taking licenses from various government departments leads to delays in process thereby increasing the costs of doing business in the country.

Also small enterprises face problems relating to availability of finance. Banks are not willing to give loans to small manufacturing firms due to which these firms have to resort to private moneylenders who charge them a very high rate of interest.

Further, the problem of heavy and dual taxation, difficulties in marketing and selling, complex labour related compliances, unskilled workforce, heavy documentation, problems in land procurement, bureaucratic hurdles, and limited R&D are other areas of concern for the firms.

In light of these problems, we would like to suggest some reforms that need to be undertaken.

- Simplification and rationalization of taxation system with long term stability is the need of the hour. A well designed GST bill, by reducing state border taxes, will have the important consequence of creating a truly national market for goods and services, which will be critical for our growth in years to come. Implementation of the Goods and Services Tax (GST) at the earliest.
- Labour laws should be amended in a way that does not overlook the interest of labour. Progressive labour laws to create more jobs in the market.
- Revisit the Land Acquisition Act, a robust land acquisition policy which eases the process of acquisition is essential for Investment in Infrastructure and Manufacturing.
- Overall re-hauling of transport system through increasing the capacity of railways, highways and expressways.
- Physically linking every corner of the country to domestic and international markets through roads, railways, ports and airports.
- Digitization of all the government departments to improve the ease of doing business.
- Strengthening the corporate R&D activity in the country to further the international competitiveness of national enterprises.
- Development of industrial corridors to facilitate ease of doing business.
- MSMEs scale should be increased manifold in terms of financials and manpower so that more companies come under MSMEs
- Increased access to finance for MSMEs to reduce the delays and stalling of business projects due to non-availability of finance.
- Developing energy infrastructure with up-gradation of technology and strengthening of high capacity national transmission grid.
- Linking everyone electronically and financially to the broader system through mobiles, broadband, and intermediaries such as business correspondents.
- Encouraging the development of public institutions such as markets, warehouses, regulators, information aggregators and disseminators, etc.

Going ahead, the Indian manufacturing sector provide an excellent opportunity to international investors to collaborate with existing businesses as most of the businesses have plans to expand through various options. This also reiterates the fact that the businesses are actively willing to participate in the Make in India mission of the government. With various initiatives being implemented by the government to facilitate the ease of doing business, the manufacturing sector in India is expected to pick up pace and will provide immense opportunities to domestic and international investors to come and make in India in the coming times.

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Ms. Megha Kaul, Senior Research Officer, PHD Chamber of Commerce and Industry, has nearly five years of experience in wide-ranging socio-economic research issues of the global and Indian macro economy. During her tenure in PHD Research Bureau, she has been working across international, national and sub-national arenas and has worked on several thematic research studies and analytical reports on various segments of the Indian economy. She is a postgraduate in Business Management and a graduate in Economics from Delhi University.



Ms. Ekta Goel, Research Associate, PHD Chamber of Commerce and Industry, has nearly one year of experience in research. She has worked with Institute for Development and Communication (IDC) before joining PHD Chamber. As a part of the PHD Research Bureau, she has been productive for keeping track of important economic developments in the Indian economy and disseminating them to members and various stakeholders of Chamber. She is a Post Graduate in economics from Panjab University.

We are also thankful to Ms. Vaishali Narang, Research Intern, PHD Chamber of Commerce and Industry for her tireless efforts in preparing this report.

PHD RESEARCH BUREAU

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers.

DR. S P SHARMA
CHIEF ECONOMIST & DIRECTOR OF RESEARCH

Ms. Megha Kaul
Sr. Research Officer

Ms. Rashmi Taneja
Sr. Research Officer

Ms. Surbhi Sharma
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Ms. Ekta Goel
Research Associate

Ms. Pallavi Mehta
Research Assistant

Ms. Nidhi Gautam
Research Associate

Ms. Vaishali Narang
Research Intern

Ms. Sunita Gosain
Secretarial Assistant

STUDIES UNDERTAKEN BY PHD RESEARCH BUREAU

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September 2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Economy on the Eve of Union Budget 2014-15 (July 2014)
20. Budget 2014-15: Promise of Progress (July 2014)
21. Agronomics 2014: Impact on economic growth and inflation (August 2014)
22. 100 Days of new Government (September 2014)
23. Make in India: Bolstering Manufacturing Sector (October 2014)
24. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
25. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)

B: State profiles

26. Rajasthan: The State Profile (April 2011)
27. Uttarakhand: The State Profile (June 2011)
28. Punjab : The State Profile (November 2011)
29. J&K: The State Profile (December 2011)
30. Uttar Pradesh: The State Profile (December 2011)
31. Bihar: The State Profile (June 2012)
32. Himachal Pradesh: The State Profile (June 2012)
33. Madhya Pradesh: The State Profile (August 2012)
34. Resurgent Bihar (April 2013)
35. Life ahead for Uttarakhand (August 2013)
36. Punjab : The State Profile (February 2014)

About the PHD Chamber

PHD Chamber is a 108 years old vibrant and proactive representative organization of business and mercantile community of northern and central India, serving their interest. This apex regional organization plays an active role in India's development and acts as a much needed link between government and industry, serving as a catalyst for rapid economic development and prosperity of the community in the region through promotion of trade, industry and services.

With its base in the National Capital, Delhi, the Chamber has Regional offices in States of Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand and the Union Territory of Chandigarh.



Six Thrust Areas

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- Infrastructure
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- Education and Skill Development
- Agriculture and Agribusiness



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