AN OVERVIEW OF INDUSTRIAL SECTOR OF PUNJAB AND HARYANA STATES

Investment climate is the broad concept encompassing all the factors affecting business decisions including profitability and where to locate plants and other units. A good investment climate provides opportunities and incentives for firms to invest productively and create jobs, thus playing a key role in ensuring sustained growth and poverty reduction. Good investment climate should have the following features:

- The availability and ease of use of factor inputs such as land and labor.
- Availability of adequate physical and social infrastructure such as power, telecom, urban infrastructure, water supply, hospitals and educational institutions etc.
- Provision of incentives and access to credit.
- Governance and regulatory framework in terms of rules and regulations governing entry, operation, integrity of public services, law and order and investment facilitation.

Investment climate of a particular state can be assessed through various variables like: economic overview of the state, investment in the state, state’s industrial performance, its exports, labor force and industrial disputes in the state, power cost, credit availability, physical and industrial infrastructure in the state etc. In order to have an idea about the existing investment climate in Punjab and Haryana, these variables are discussed below. The chapter has been divided into three sections. In section I, the variables through which investment climate can be assessed are discussed. In section II, overview of key industries of Punjab and Haryana is given and in section III, recent industrial policy of Punjab and Haryana is discussed.

Section I

In this section, an attempt has been made to discuss the variables from which assessment of investment climate in Punjab and Haryana can be made.

Comparative Economic Position of the States

GSDP of Punjab was US $40.6 billion in 2009-2010. The compound annual growth rate (CAGR) of GSDP from 2000-01 to 2009-10 was about 11.8 percent.
Punjab ranks 13th amongst all the Indian states in terms of GSDP (Economic Survey of Punjab, 2010). On the other side, GSDP of Haryana was US $44.2 billion in 2009-10. The compound annual growth rate (CAGR) of GSDP was 14.5 percent from 2000-01 to 2009-10. (Economic Survey of Haryana, 2010).

**Investment and FDI Inflows in the States**

In Punjab, FDI inflows from April 2000 to May 2010 amounted to US $0.8 billion. As on March 2010, the services sector had the largest share of outstanding investment; which accounted for about 46 percent. It was followed by electric sector with share of about 30.7 percent and construction with about 13.5 percent. The manufacturing and irrigation sector together accounted for about 9.8 percent of the total outstanding investment (CMIE, 2010).

According to Reserve Bank of India, in Haryana, FDI inflows from April 2000 to May 2010 amounted to US $23.7 billion. As on March 2010, outstanding investments in the state were at US $85.1 billion. The construction sector accounted for the largest share at 60.9 percent followed by services (21.3 percent) and electricity(14.2 percent).

**Industrial Profiles of the States**

As per the ASI data 2008-09, Haryana has the highest industrial output as compared to Punjab, contributing 4.4 percent value in output by deploying 3.5 percent of fixed capital and 2.8 percent of productive capital. Table 4.1 depicts that number of factories and number of workers are higher in Punjab, whereas, net value added, value of output, depreciation, capital formation, fixed capital and profits are higher in Haryana.
Table 4.1

Industrial Indicators of Punjab and Haryana (2007)

(Value Figures in Rs. Lakhs and Others in Numbers)

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicators</th>
<th>Punjab</th>
<th>Haryana</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of factories</td>
<td>10,065</td>
<td>4,450</td>
</tr>
<tr>
<td>2.</td>
<td>Fixed capital</td>
<td>26,48036</td>
<td>37,06457</td>
</tr>
<tr>
<td>3.</td>
<td>Working capital</td>
<td>7,18,655</td>
<td>8,70,395</td>
</tr>
<tr>
<td>4.</td>
<td>Invested capital</td>
<td>46,12,258</td>
<td>61,33,423</td>
</tr>
<tr>
<td>5.</td>
<td>Number of workers</td>
<td>4,31,568</td>
<td>3,77,322</td>
</tr>
<tr>
<td>6.</td>
<td>Value of output</td>
<td>1,05,51352</td>
<td>1,44,33,596</td>
</tr>
<tr>
<td>7.</td>
<td>Depreciation</td>
<td>2,28,839</td>
<td>3,81,016</td>
</tr>
<tr>
<td>8.</td>
<td>Net value added</td>
<td>1,25,640</td>
<td>20,35,386</td>
</tr>
<tr>
<td>9.</td>
<td>Net fixed capital formation</td>
<td>3,52,463</td>
<td>4,85,903</td>
</tr>
<tr>
<td>10.</td>
<td>Gross fixed capital formation</td>
<td>5,81,302</td>
<td>8,66,919</td>
</tr>
<tr>
<td>11.</td>
<td>Profits</td>
<td>4,33,485</td>
<td>9,06,075</td>
</tr>
</tbody>
</table>

Source: ASI, 2008-09

Industrial Performance of the States

Industrial development in Punjab has taken place in phases. Between 1980 and 2000, employment increased three times, the number of industrial units grew five times and investment and production went up 18 times. Punjab has witnessed rapid growth in the production of engineering goods, pharmaceuticals, leather goods, food products, textile, electronic goods, machine tools, hand tools, agricultural implements,
sports goods, paper packaging etc. SSI units dominated the states economy accounting for 47 percent of production, 60 percent of export and 21 percent of investment of industrial sector. Between 1999-00 and 2004-05, the output from SSI sector witnessed a higher growth rate as compared to the output of medium and large scale industries. As on March 2008, the number of SSI units were 204,522 and its production was $ 6.86 billion and it provides employment to 951.3 (in ‘000 number) workers (www.ibef.com). Haryana has shown robust performance over the years. The state accounts for two-third of passenger’s cars, 50 percent of tractors, 60 percent of motor cycles, 50 percent of refrigerators and 25 percent of the sanitary wares manufactured in the country. SSI units which account for nearly 25 percent of all production in the state provide repair services for capital goods and are involved in the manufacturing of metal products, leather and fur products, food items and wooden furniture. SSI units in Haryana as on March 2008, account for 20 percent of the country’s total export. Export of scientific instruments meets 60 percent of the demand for ammunition boxes of the defence forces and produces the largest number of electrical mixers and gas stoves in the country (www.ibef.com).

**Labor Regulations and Industrial Relations**

Labor regulations relating to setting of norms for employment, hire and fire operations, employment of contract labor etc. have a major bearing in industrial productivity and largely influence investment decisions.

**Table 4.2**

<table>
<thead>
<tr>
<th>Year</th>
<th>Punjab</th>
<th>Haryana</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>310</td>
<td>158</td>
</tr>
<tr>
<td>2005</td>
<td>33</td>
<td>494</td>
</tr>
<tr>
<td>2006</td>
<td>110</td>
<td>418</td>
</tr>
<tr>
<td>2007</td>
<td>49</td>
<td>48</td>
</tr>
</tbody>
</table>

Source: indiastat.com

Table 4.2 highlights that in 2004, 310 man days are lost which resulted in work stoppages due to industrial disputes, whereas, the figure was 158 in Haryana in
the same period. It can also be observed that in 2007, Only 49 man days in Punjab and 48 man days in Haryana were lost due to industrial disputes. Thus, it can be stated that improvements have been recorded in both of the states from the year 2004 to 2007.

**Labor Law Environment Index**

This index measures the legal, regulatory and procedural regime at the state level and how it facilitates the smooth functioning of labor markets. According to CII Report, 2011, Labor Law Environment Index of Punjab and Haryana was as under:

<table>
<thead>
<tr>
<th>States</th>
<th>2005 Rank</th>
<th>2007 Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Haryana</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

*Source: India Labor Report, 2009*

In the above table, rankings have been given to Punjab and Haryana among the major 19 states of India (CII Report on Northern States, 2011). It can be clearly observed from the table that from 2005-2007, overall performance of Punjab as per Labor Law Environment Index has deteriorated as compared to Haryana.

**Exports**

Exports from Punjab have grown from $ 2.1 billion in 2005-06 to $ 3.7 billion in 2008-09. Textiles have the largest share in the total exports, followed by cycle and cycle parts, hand tools, auto spares and rice. These five categories constituted more than 70 percent of the exports from Punjab (Economic Survey of Punjab, 2009-2010).

On the other hand, exports in Haryana were $5.5 billion in 2005-06, increased to $7.1 billion in 2008-09. Steel products export has given a major push to the state export. Other key exports were IT services, textiles, gum, electric goods and dairy products (Economic Survey of Haryana, 2009-10).
**Tax Receipts**

Table 4.4 describes that tax receipts in the form of SRF, LR, SET, IDT is highest in Punjab, whereas, SST/VAT is higher in Haryana

**Table 4.4**

**Composition of Tax Receipts in Punjab and Haryana (2007-08)**

(Figures in percentages)

<table>
<thead>
<tr>
<th>States</th>
<th>SRF</th>
<th>LR</th>
<th>DT</th>
<th>SST/VAT</th>
<th>SET</th>
<th>IDT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>16.4</td>
<td>0.2</td>
<td>16.6</td>
<td>51.4</td>
<td>16.7</td>
<td>83.4</td>
</tr>
<tr>
<td>Haryana</td>
<td>15.9</td>
<td>0.1</td>
<td>16.0</td>
<td>53.8</td>
<td>10.7</td>
<td>84</td>
</tr>
</tbody>
</table>

**Source:** Budget Documents of the State Governments

SRF: stamps and registration fees, LR: land revenue, DT: direct taxes, SST: state sales tax, VAT: value added tax, SET: state excise tax, IDT: indirect taxes

**Days to Get a Power Connection**

According to Punjab State Regulatory Commission and Haryana State Regulatory Commission 2009, in Punjab and Haryana to get a power connection the required numbers of days are:

<table>
<thead>
<tr>
<th></th>
<th><strong>PUNJAB</strong></th>
<th><strong>HARYANA</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Load up to 20 KW</td>
<td>56 days</td>
<td>36 days</td>
</tr>
<tr>
<td>Load up to 20KW- 100 KW</td>
<td>84 days</td>
<td>66 days</td>
</tr>
<tr>
<td>Load up to 100KW- 500 KW</td>
<td>84 days</td>
<td>90 days</td>
</tr>
<tr>
<td>Load above 500 KW</td>
<td>90 days</td>
<td>105 days</td>
</tr>
</tbody>
</table>

It becomes clear from the above analysis that in Haryana, less number of days are required to get a power connection as compared to Punjab (www.ibef.com).

**Credit Availability**

In Punjab, agencies like PFC (Punjab Finance Corporation) and PSIDC (Punjab State Industrial Development Corporation) deal with the sanction of loan for industries, and in 50 days the loans are sanctioned (www.ibef.com). In Haryana, agencies like HSIDC/HFC deal with the sanction of loans and loans are sanctioned within 30 to 45 days (www.hfcindia.org).
Physical Infrastructure

Punjab infrastructure in terms of rail, road and transport network is amongst the best in the country. Haryana also has well planned and efficient infrastructure facilities. Haryana is amongst the few states with 100 percent rural electrification and also have 100 percent connectivity of rural areas with metalled roads (Economic Survey of Punjab and Haryana, 2009-2010).

Punjab state has three domestic airports and Haryana state has only one domestic airport which is located at chandigarh. The tele density in Punjab state was 75.4 percent which is significantly higher than the national average of 52.7 percent, as on March 2010. In Haryana tele density was 59.7 percent as on March, 2010. Punjab state has 3,904 post offices and 1,510 telephone exchanges, on the other hand, in Haryana there are 2,646 post offices and 1,258 telephone exchanges (Statistical Abstract of Punjab, 2009-2010, Economic Survey of Haryana, 2009-2010, Cellular operations of India, Department of Telecommunications).

Industrial Infrastructure in Punjab

Electronics Township (ELTOP), Mohali has been promoted by the Punjab Information and Communication Technology Corporation Ltd. (Punjab InfoTech) a state undertaking for the promotion and growth of the IT, ITES and electronic industries. Mohali has a Software Technology Park of India (STPI) unit, promoted jointly by the department of Information Technology, Government of India, and Punjab InfoTech. The state is committed to develop Mohali as the IT hub of North India. Various national and international companies like Quark city, Dell, Tata Group, Reliance, Infosys, Semi-conductor complex and Ids InfoTech have their offices in Mohali.

Industry Clusters

Punjab is promoting the growth identified of specific industries through a planned clustered development approach. The cluster is identified for development of bicycles and bicycle parts in Ludhiana, steel re-rolling industry in Mandi Gobindgarh, textile in Ludhiana, sports and leather goods in Jalandhar.
Food Park Projects

Punjab Agri Food Parks Ltd. (PAFPL), a joint initiative of an NRI group and Punjab Agro Industries Corporation has set up 25 acre Food Park in Fatehgarh Sahib District. It comprises a 100,000 sq ft. cold chain facility and a clean zone which handles complex for horticulture produce. This is supported by an automatic nursery, a food testing laboratory and a grading and packaging house. PAFPL has also set up a model farm, which raises seeding to be provided to farmers.

Apparel Park

Punjab Small Industry and Export Corporation Ltd and the association of Textile Industry are jointly establishing an integrated textile park at Doraha in Ludhiana district, having 115 industrial plots with an area between 625-10,000 sq yds. A special package was proposed to park. The proposal includes the following:

- Exemption from stamp duty and registration fee for first sale.
- Exemption from sales tax on purchase of machinery and materials.
- Exemption from sales tax on finished goods sold within the country for a period of five years and on exports, with no time limit.
- Exemption from payment of electricity duty for a period of five years and zero duty on own generation of electricity by the apparel park.
- Freezing of electricity tariff by the Punjab State Electricity Board for a period of five years, with the condition that units shall pay peak load charges.

Special Economic Zones (SEZs)

Development of SEZs, as per the Government of India’s policy, is expected to promote establishment of large, self contained areas supported by world-class infrastructure, oriented towards export promotion. In Punjab, all SEZ’s get exemption from payment of taxes like sales tax/VAT, purchase tax, Octroi, electricity duty (restricted to five per cent of basic electricity duty, with additional five percent payable towards social cess) on power purchased from the State Electricity Board and for consumption within SEZ, stamp duty, and registration fee (excluding the three percent surcharge for Social Welfare Fund) on first sale of land in SEZ and education/infrastructure/any other cess.
Industrial Infrastructure in Haryana

Haryana’s Industrial Policy 2005, lays strong emphasis on creating a sound investment climate. The industrial infrastructure in Haryana is being developed through state agencies like HSIIDC and Haryana Urban Development Authority (HUDA), as well as private players. The state government has laid down certain provisions for land allotment:

- There is 10 percent reservation of plots and sheds for allotment to non-resident Indians and for units with 33 percent or more FDI in total investment.
- The allotment of plots to projects with an investment of more than $6.67 million is made on an ongoing basis by a committee headed by the principal secretary.

Industrial Parks

Specialized industrial estates are being developed to cater to the requirement of specific industries. These industrial parks help in improving operational efficiency, as various units belonging to a specified sector are located at one place. Exports Promotion Industrial Parks, Food Parks and Gems and Jewellery Parks have been established to promote exports.

Industrial Model Township (IMTs)

IMT Manesar is being developed as a prominent cluster of auto mobiles and auto components units. It has industrial, commercial, residential and recreational facilities that have been developed at par with international standards.

SEZs Industrial Clusters

The government is in the process of upgrading five industrial clusters in the state. These include the scientific instrument cluster at Ambala, the metal industry cluster at Jagadhari, agriculture implements, rice milling cluster at Karnal, the pharmaceutical cluster at and Sonipat and the chemical cluster at Bahadurgarh. As on March 2010, the state received 100 proposals for setting up special economic zones (SEZs), with a projected investment of 45 billion and employment potential for 2 million persons. Of these 66 proposals have been granted in principle/formal approval by the government of India (www.haryanaindustries.nic.in, www.sezindianic.in).
Industrial Growth Centers

HSIIDC (Haryana State Industrial and Infrastructure Development Corporation) has developed an industrial growth center at Bawal spread over 1,200 acres area to promote industries. Companies like YKK, TDT Copper, Exide, Becton Dickinson, Nerolac, Svedla and Asahi Glass are already present at the centre.

Cost of Doing Business in the States

Table 4.5 describes that cost of industrial land and land on rent for office use is higher in Haryana as compared to Punjab. Rent of residential land is almost same in both of the states. Cost of water for commercial and industrial use is higher in Punjab (US 0.14 $) as compared to Haryana (US 0.096 $).

Table 4.5

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Punjab (value in US $)</th>
<th>Haryana(value in US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Land (per sq.mt.)</td>
<td>Mohali- 35.42</td>
<td>28.7-67</td>
</tr>
<tr>
<td></td>
<td>Ludhiana-17.71</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Amritsar-11.10</td>
<td></td>
</tr>
<tr>
<td>Office space rent (per sq foot per month)</td>
<td>0.17-0.32</td>
<td>0.31-0.74</td>
</tr>
<tr>
<td>Residential rent (for 92,000 sq mt house, per month)</td>
<td>57.4- 80.4</td>
<td>80.4</td>
</tr>
<tr>
<td>Water (per 100 litres)</td>
<td>0.14</td>
<td>0.096</td>
</tr>
<tr>
<td>commercial and industrial</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: PWC Research

Note: Exchange rate used in INR 47 per US $.

Section II

Key Industries in Punjab

Punjab has a mix of industries like: agro based, textile, automotive and auto components, light engineering goods, IT and telecom which have driven growth in the state economy.
Agro Based Industries

Since the 1980’s, Punjab Agro Industrial Corporation (PAIC) has been encouraging private investment in the agro process sector by identifying technically feasible and economically viable projects and inviting financial collaboration for implementation in the joint sector. The key industries are Nestle, Pepsi Co India, MILKFED, Godrej, Agrovet, Sunagro Seeds ltd., Markfed and Cremica Foods.

Nestle India

Nestle is a subsidiary of Nestle SA, Switzerland, with prominent brand names such as Nescafe, Maggi, Milky Bar, Milo, Kit Kat, Bar One, Milkmaid, Nestea, Nestle Milk, Nestle Fresh ‘n’ natural Dahi and Nestle Jeera Raita. The company started the milk collection in Moga in 1961 and has expanded its operations to a network of more than 85,000 farmers. The company recorded revenues up to US$1.1 billion in 2009.

Pepsi Co India

PepsiCo has been involved with the development and promotion of contract farming in Punjab, to produce chillies, potato, basmati rice and ground nuts. Pepsi and PAIC have together set up a green house at the Agriculture Research and Development Centre, Jalandhar, to encourage and commercialize citrus cultivation. The company has also committed funds to develop a comprehensive agro-technology programme with the Punjab Agriculture University.

MILKFED

Punjab State Cooperative Milk Producers’ Federation Ltd, also known as MILKFED came into existence in 1973. It recorded a turnover of US $ 251 million in 2008-09 including exports of $32.6 million and a strong network of about 6000 milk producers’ cooperative societies and about 36,000 milk producer members, 10 milk plants, two cattle feed factories and a seed processing factory. Its famous Verka brand of dairy products includes milk, butter, buttermilk, cheese, curd, milk powder, ice cream and ghee.

Godrej Agrovet Ltd

Godrej Agrovet Ltd, a subsidiary of Godrej industries has planned an investment of $22 million for processing units as well as for the expansion of its rural
retail initiative, Aadhaar. It aims at providing an array of services from provision of food items, grocery, apparel, footwear, furniture, kitchenware and home appliances to value-added services including banking, postal services and pharmacy. The company recorded revenues of US $281.2 million in 2008-09.

**Cremica Foods**

Cremica Foods was established in 1978 as a small backyard enterprise for ice cream making. The company has internationally certified production facilities and has established itself as a leading supplier to global and Indian giants like McDonalds, Pizza Hut, Cafe Coffee Day and Barista, as well as institutional customers like Jet Airways, United Nations (World Food Programme), Indian Railways and Canteen Stores Department (Indian Army). Its products include sauces, topping, syrups, biscuits, Indian snack foods, bread, buns, stabilizer blends, toffees, candies and ice creams.

**Jagatjit Industries ltd (JIL)**

Jagatjit industries manufactures and markets alcoholic beverages, malted milk foods, milk powder, ghee, glass and pet container. The company has turnover of US $ 177.9 million in 2008-09.

**Textile Industry**

Punjab textile industry is strong on all aspects of the value chain- from the raw material stages to finished products. Punjab is the second largest producer of cotton and blended yarn and the third largest producer of mill-made fabrics in India. The sector had revenues of over $3.75 billion in 2008-09, contributing over 21 percent to manufacturing output, and 24 percent to industrial employment in the state.

**Abhisheek Industries**

Abhisheek Industries is part of the Ludhiana-based Trident group, which has business interest in textiles, writing and printing papers and chemicals. Its products are exported to 37 countries and it also supplies to leading retail chains in the US and Europe. The company is one of the largest employers in the region. The company recorded revenues of US $ 384.4 million in 2008-09.
**Nahar Group**

Ludhiana-based Nahar Group comprises spinning, knitting, fabrics and hosiery garments. It has four companies- Oswal Woolen Mills, Nahar Spinning Mills, Nahar Exports and Nahar Industrial Enterprises. The Group had a turnover of $ 458 million in 2008-09.

**Vardhman Group**

The Ludhiana-based Vardhman Group is one of the largest textile conglomerates in India with interest in specialized yarns, fabrics, sewing threads and acrylic fibre. It is amongst the largest producers and exporters of yarns and grey woven fabrics, also of tyre cord yarns and second largest producer of sewing threads in the country. The company has a strong presence in Japan, Hongkong, Korea and Europe. The company recorded revenues of Rs. 583.8 million in 2009-10.

**Malwa Group**

The Malwa group is amongst the top-10 textile groups in India. It produces cotton yarns, acrylic yarns, and polyester viscose yarn. The company exports all types of yarn to countries’ like: Asia, Europe, Africa and America. It has also ventured into production of readymade garments for well-known international brands. The company registered revenues of US $ 91.2 million in 2009-10.

**Supreme Tex Mart ltd.**

Supreme Tex Mart is an integrated textile producer. It recorded revenues of US $ 76 million in 2009-10.

Oswal Woolen Mills, JCT ltd, SM Textile Mills, Prince Textile Mills are also the leading companies of textiles sector.

**Light Engineering Goods**

The Light Engineering Goods industry, which includes bicycle and bicycle parts, hand tools, sewing machines and machine tools, is another major sector in Punjab. Punjab accounts for 15 percent of bicycle production and 80 percent of bicycle parts production in India.
**Hero Cycles**

Hero Cycles is a part of Hero Group and is amongst the world’s largest producers of bicycles. It manufactures over 5.6 million cycles per annum. The Engineering Exports Promotion Council awarded Hero Cycles with the best exporter award for the last 28 years in succession. Today, more than 50 percent of its bicycle exports are to Europe and America. The company recorded revenues of US $ 349 million in 2009-10.

**Avon Cycles**

Avon Cycles is another leading bicycle manufacturer. It produces about 1.5 million bicycles per annum and exports to more than 80 countries. Avon is recognized by the Government of India as a ‘Golden Trading House’. The company is developing a range of electric bikes and scooters. The company recorded revenues of US $ 88.1 million in 2008-09.

**Automotive and Auto Components Industry**

Automotive and Auto Components Industry is dominated by SSI units. Many units with superior technology and high product quality also export their products. Punjab is also strong in tractor production with about seven percent of the country’s tractors being produced in the state. Two leading tractor manufacturers, International Tractors Ltd (Sonalika Group) and Punjab Tractors Ltd (Swaraj Enterprises) are located in Punjab. GNA Group is a key player in the auto components space.

**Sonalika Group**

The Sonalika Group manufactures 37,000 tractors per annum in a board range from 30HP to 90HP. Its tractors are also exported to South Africa, Australia, Zimbabwe, Sri Lanka, Canada, Bangladesh, Algeria, Zambia, Senegal and Ghana. The company has a marketing arrangement with Tata International for development of select South American and African markets for sale of tractors.

**Punjab Tractors**

Mohali-based Punjab Tractors manufactures and sells tractors under the brand name Swaraj. It also manufactures harvester combines, rice transplanters, forklifts, light commercial trucks, mini buses, ambulances, diesel engines, automotive seating and components.
GNA Group

The GNA Group with plants in Jalandhar and Hoshiarpur is a leading auto component player, manufacturing real axle shafts and U.J. crosses, propeller, shaft assemblies, hydraulic lift shafts, steering components, wheel spanners and forgings for use in all types of light, medium, and heavy vehicles. Besides supplying to automobile majors like: Tata Motors, Ashok Leyland, Maruti Udyog, Eicher Motors, Swaraj Mazda, Tractors and Farm Equipment Ltd and Escorts Tractors, the company has a strong presence in the replacement market. GNA has the largest integrated plants of its kind in Asia for manufacturing auto component.

Swaraj Mazda

Swaraj Mazda based in Nawashaher, Punjab is a light commercial vehicle, manufacturing company. It manufactures vehicles for goods and passenger application. The company has recorded turnover of US $163.6 million in 2009-10.

Chemicals and Chemical Products

Chemical-related industry is another sector with promising prospects in Punjab. It includes petrochemicals, chemical and fertilizers, with a contribution of more than five percent to the entire segment in India. Future growth in this sector is expected to be determined by the Hindustan Petroleum Corporation Ltd refinery project as well as fertilizer production in the state. Chemical and chemical products companies are:

Hindustan Petroleum Corporation Ltd (HPCL)

HPCL is one of the largest oil refining and marketing companies. The company recorded an annual turnover of US $ 24.5 million in 2008-09 and had a market share of about 20 percent.

National Fertilizers Ltd (NFL)

NFL is the second largest producer of nitrogenous fertilizers in India. It has two manufacturing units at Bathinda and Nangal. Nangal unit has a capacity of 778,000 tonnes of urea, while the Bathinda plant has a capacity of 511,000 tonnes. NFL is actively promoting the use of bio-fertilizers in the state and manufactures neem-coated urea at its plant in Bathinda.
IT and Electronics Industry

Punjab’s IT Policy and the incentives offered to the IT industry are aimed at promoting the state as an attractive destination. Mohali has been developed as an IT and ITES hub. Software exports from the state were worth $ 44.5 million in 2005-06. Over the past few years, over 1,200 SSI units have been set up in the electronics hardware segment. Several IT industries are as under:

Quark

Quark, a global IT giant, is a leader in desktop publishing for workgroups and enterprises. Quark has a product line that ties together traditional print publishing and content management for publishing and non-publishing enterprises. The India Development Centre (IDC) at Mohali is Quark’s largest Research and Development centre worldwide. It was set up in 1998 with an investment of $ 17.8 million.

Infosys Technologies

Infosys Technologies is one of India’s leading software services firms providing consulting and IT service to clients globally. The company has nine development centres across the country with the one at Mohali set up in 2001. The Mohali center is equipped with latest technology and solutions for enterprise networking, office productivity, collaborative software engineering and distributed project management.

Punjab Communications Ltd.

Punjab Communications is Indian premier telecom and IT equipment and solution provider. The company recorded revenues of US $ 27.4 million in 2008-09. Broadly, the company’s activities cover telecom equipment manufacturing, IT and software solutions, turnkey projects and maintenance.

JCT Electronics Ltd.

JCT Electronics is a flagship company of the Thapar Group. JCT electronics manufactures color picture tubes for television sets and having capacity of over 4 million annually. The company recorded revenues of US $ 92.7 million in 2008-09 (www.ibef.com).
**Key Industries in Haryana**

Haryana has 80,000 SSI units and 1,290 medium and large-scale industrial units, with the key ones being agro based and food processing, IT and ITES, textile, automobiles, auto components, pharmaceuticals, biotech, real estate, construction and retail etc (Economic Survey of Haryana, 2009-10).

**Agro Based Industries**

Agro Based Industries are one of the largest employment generators in rural Haryana and have a strong potential in terms of value addition and exports. The department of horticulture is encouraging a cluster approach for the development of fruit cultivation. The state produces 212,000 tonnes of fruit and 2.09 million tonnes of vegetables. The state has about 750 food processing and agro based industries in the large and medium sectors (www.ibef.com). Some of them are as:

**Yakult Danone India Pvt. Ltd.**

Yakult Danone India Pvt Ltd. is a joint venture between Japan’s Yakult Honsha and group Danone of France. It is a global probiotic drink manufacturer.

**GlaxoSmithKline Consumer Healthcare Ltd (GSKCH)**

GSKCH is a group company of GlaxoSmithKline UK and one of the largest players in the health food drinks industry in the country. The company’s factory at village Khera, Sonipat, on a 140 acre plot, has been set up at a cost of $55 million with a capacity to produce 261,000 tonnes of Horlicks per annum.

**Perfetti Van Melle India**

Perfetti Van Melle India, is 100 percent subsidiary of global conglomerate. Perfetti Van Melle, started its operations in India in 1992 by setting up a factory at Manesar. It launched its first brand-Center Fresh –in the Indian market in 1994. Today, it leads the Indian sugar confectionary market with an over 25 percent share of the market.

**Textile Industry**

Abundant availability of raw material gives Haryana a competitive advantage in the textile sector. Cotton production was around 1.9 million bales in 2009-10. The state’s contribution to the national production of cotton yarn is 25 percent. The
production of textile, including readymade garments, is valued at $ 1 billion annually; almost a third of this produce is exported. Key players of textile industry are as under:

**DCM Textiles**

DCM Textiles, a part of DCM group, has a spinning mill at Hisar with an installed capacity of 74,436 spindles. The products are exported to South Korea, Sri Lanka, Bangladesh, Egypt, Taiwan, Hongkong, and Israel.

**Orient Craft Ltd.**

Orient Craft, located in Gurgaon, with a 3,000-strong workforce, is a government recognized export house.

**Automobiles and Auto Components Industry**

According to estimates by the Confederation of Indian Industry (CII) 2008, Haryana accounts for more than 50 percent of passenger cars, 50 percent of motor cycles, 25 percent of tractors and 25 percent of bicycles manufactured in the country. Some major players in the automobiles and auto components in the state are:

**Maruti Udyog Ltd (MUL)**

MUL was established in February 1981 as a government company in collaboration with Suzuki Motors Corporation (SMC) of Japan. It currently has a share of more than 50 percent in the Indian passenger’s car market. At present, its production capacity is 630,000 cars per year.

**Hero Honda**

Hero Honda is the world’s largest motor cycle company. It has developed two-world-class manufacturing facilities at Dharuhera and Gurgaon in Haryana with an annual production capacity of three million bikes. The company has sold over 15 million motors cycles, and every second motor cycle sold in the country is a Hero Honda.

**Honda Motorcycle and Scooter India (HMSI)**

HMSI is a 100 per cent subsidiary of Honda Motor Company, Japan. HMSI has a 52-acre factory at Manesar, with an installed production capacity of 600,000 scooters and 400,000 motorcycles per annum. The company has invested $124 million
in the state. It has also established an R&D facility at Gurgaon, one of three such facilities it has globally.

**Escorts**

The Escorts group is among India’s leading engineering conglomerates operating in the high growth sectors of agri-machinery, construction and material handling equipment, railway equipment and auto component. Escorts is also a leading manufacturer of critical railway components and Asia’s largest manufacturer of air brake systems.

**Yamaha Motors**

Yamaha Motors is a 100 percent subsidiary of Yamaha Motors Company Ltd Japan. Its manufacturing plant is located in Faridabad.

**Talbros Automotive Components**

Talbros Automotive Components is a manufacturer of automotive and industrial gaskets. It has a technical collaboration with Federal Mogul, USA, and a world leader in automotive and industrial sealing products. It has manufacturing facilities at Faridabad, Gurgaon, Bawal and Sohna.

**Munjal Showa**

Munjal Showa Ltd, a joint venture, with Showa Corporation, Japan, manufactures shock absorbers and struts for leading auto companies including Maruti Suzuki, Honda, Hero Honda, Kawasaki Bajaj and Kinetic.

**Omax Auto**

Omax Auto is amongst the top domestic auto ancillary players. It manufactures sheet metal, tubular, machined components and sprockets for two wheelers and four wheeler at its plants in Dharuhera. Its customers include Hero Honda Motors, Maruti Udyog, TVS Motors and Escorts Yamaha.

**Petro-Chemicals Industry**

Petro-Chemical is an important industrial sector in the state, with an invested capital of $3.26 billion. Indian Oil Corporation’s Panipat refinery is one of the most prestigious projects in the state and is India’s most modern refinery.
Indian Oil Corporation (IOC)

IOC produces and markets petroleum products such as crude oil, lubricants, grease, and oil based additives. IOCL has a refinery at Panipat which is its seventh refinery. Its present capacity was 15 MMTPA (million metric tones per annum) during April 2010 (www.ibef.com).

Real Estate and Construction Industry

The real estate and construction industry has been growing at a rapid pace in Haryana. Gurgaon has witnessed a spurt in construction and real estate activities over the past few years. Some of the major players in the real estate and construction segment are:

DLF Group

The DLF group is one of the largest real estate players in India. It has developed 22 urban colonies as well as an entire integrated 3,000-acre township-DLF Cyber City.

Unitech Group

Unitech group is another large real estate player in Gurgaon. It has executed commercial projects providing world-class service facilities such as Pavilion House, Unitech Escape, Unitech Business Park, Millennium Plaza, Nirvana Country, Unitech World, Unitech Trade Centre, Global Business Park, Vipul Group, Ansal Group and Emaar MGF are also the major real estate players of Haryana.

IT and ITES Electronics Industries

Gurgaon has emerged as a preferred destination for the IT industry in north India. Companies like Hughes software, Tata Consultancy Services, Alcatel, Genpact, IBM, HCLTechnologies, Convergys, Siemens, Ericson, Microsoft, Cannon, GE Capital and Silicon Graphics have their units in the city. The electronics industry in the state has also recorded impressive growth. Growth is expected to be driven by mobile phone manufacturing and automotive electronics. Leading companies that operate in Haryana in the IT/ITES space include IBM Daksh, Convergys India Services, Genpact, Tata Consultancy Services and WNS, EVS and Wipro InfoTech etc. In 2008-09 software exports were valued at US $ 4.7 billion.
Biotech Industry

Major companies in the state are Proagro Seeds, Ranbaxy Laboratories.

Proagro Seeds Company Pvt. Ltd

Proagro Seeds, a Bayer Crop Science group company, is one of the leading seed firms in India and is engaged in breeding, development, production and marketing of high quality hybrid field seeds.

Eli Lilly and Co (India) Pvt. Ltd.

Eli Lilly and Co (India) Pvt. Ltd is a subsidiary of the US pharmaceutical major. It focuses its internal research efforts primarily on therapeutic areas like neuroscience, endocrine disorder, cancer, bone and inflammation and gene regulation. Eli Lilly Indian operations are based in Gurgaon, where it conducts clinical trials of biotech drugs from its global portfolio. This research facility is largest in the world.

Ranbaxy Laboratories

Ranbaxy Laboratories manufactures and markets branded generic pharmaceuticals and active pharmaceuticals ingredients. It exports its products to 125 countries, has ground operations in 46 countries and manufacturing facilities in seven countries. It is ranked among the top-10 generic companies worldwide.

Section -III

Punjab’s Industrial Policy

Punjab government has announced various investment friendly policies and initiatives. The latest in the series is:

Industrial Policy, 2009

Industrial Policy, 2009 aims to establish synergy between the agriculture and industrial sector, rejuvenate small scale sector and attract more investments in the large scale sector. The key objectives of this policy are:

- To play the role of facilitator with required hand-holding and being investor friendly.
- To lessen government control, while outsourcing regulatory measures.
- To bring administrative reforms under the aegis of the Punjab Social Development and Governance Reforms Commission.
• To attract investment from the private sector and under the PPP mode.
• To create a dedicated fund for the development of clusters and common facilities, therein.
• To provide infrastructural support under the initiatives of centre and state governments.
• To promote competitiveness and reduce costs for the industry.
• To promote IT and ITES sector.
• To stimulate economic growth, industry and services sector being the main engines of such growth.
• To promote value addition to the resources of the state while promoting agro-based and food processing industries.
• To emphasize on fresh employment generation and skill up–gradation.
• To revive the sick industrial units and provide a mechanism for debt re-structuring and addressing environmental issues.

The policy has separate “Agro Industrial Policy, 2009” and “IT/ Knowledge Industry Policy, 2009” as its sub-policies.

Agro Industrial Policy, 2009

The policy aims to make Punjab the destination choice for investors and processors, both global and domestic. The key objectives of the policy are:
• To increase the flow of investments in agriculture and agro-based industries.
• To accelerate a close interface between research, extension mechanisms, industry, farmers, markets and consumers.
• To increase value-addition, there-by, increasing income of farmers, traders and delivering better quality products to consumers.
• To create modern chain infrastructure needed for agro industrial development and marketing of agri-produce.
• To create employment opportunities, thus, improving the quality of life.
• To assist small scale agro-based units to remain competitive in the global market.
• To increase export of fruits and vegetables and value-added agri-products.

Key Incentives:
• Interest subsidy to agro-based industrial units.
• Interest subsidy to agri-infrastructure projects.
• Interest subsidy to small and medium agro-based industrial units for modernization and technology up-gradation.
• Assistance for setting up centre of excellence for development of technologies in the area of agro/food processing.
• Assistance for international food standards and/or global gap certification.
• Assistance for preparation of detailed project reports.
• Assistance for patent registration.

**IT/Knowledge Industry Policy, 2009**

The policy aims to create an enabling environment for IT and Knowledge-based industry by focusing on creation of necessary infrastructure, development of human capital, proactive engagement with investors and effective implementation. The key objectives of the policy are:

• To provide a nurturing and enabling environment conducive to the vibrant growth of the local IT industry.
• To aggressively promote the states as the destination of choice for emerging IT business opportunities including ITES and other knowledge based industries.
• To develop IT/Knowledge industry as a strong small and medium enterprise (SME) sector in Punjab.
• To attract FDI by encouraging multinational companies and non-resident Indians to invest in the state.
• To provide a conducive environment for the sector by reducing regulations and increasing new opportunities.
• To create availability of robust manpower and education infrastructure to enhance direct and indirect employment creation.

Key incentives and concessions:

• Power tariff to be charged at industrial rate and on actual units consumed.
• Exemption from electricity duty for five years, statutory power cuts and restriction of peak load hours.
• Capital subsidy of 20 percent to SME units notified by Punjab Information and Communication Technology Corporation limited (PICTCL).
• Special incentives for mega projects.
• Exemption from land use zoning regulations and conversion charges.
Special Economic Zone (SEZ) Act, 2009

It aims to promote SEZs in the state, providing unique incentives to infrastructure developers. The Act provides for the establishment of SEZs to promote and set up self-contained large industrial townships, with world class infrastructure to accelerate and facilitate both public and private sector participation in an internationally competitive and hassle-free environment for export promotion, thereby, securing large dividends in terms of economic and industrial development and to act as strong catalyst for regional development.


The government initiated Textile Policy 2006, to facilitate and promote the growth of the industry, achieve global standards in product quality, to contribute to exports and to encourage textile clusters so as to improve business processes. The thrust areas are:-

- Maximum investment to be attracted under the Technology Upgradation Fund Scheme (TUFS) of the Central Government.
- Creation of sound infrastructure in the form of textile clusters, apparel parks and integrated textile parks, having all necessary facilities at one place, developed mainly through private sector participation.
- Assistance in land acquisition by the state government for setting up of mega textile units, with provisions to offer flexible labor regime for these units.
- Reduction in electricity duty to half the existing rate for mega textile projects for a period of five years and full waiver of electricity duty for a period of seven years for mega textile projects in the district of Patiala, Sangrur, Mansa, Bhatinda, Faridkot, Moga, Muktsar, and Ferozpur.
- Setting up of new educational and training institutes for making skilled technical workforce available to the industry, with assistance from the government of India as well as private sector participation.

Industrial Policy of Haryana

Haryana Special Economic Zone (Amendment) Act, 2010

It aims to amend the Haryana Special Economic Zone Act, 2005. Stamp duty paid by the developer in respect of the transactions of immovable property entered
into, after the commencement of the Haryana Special Economic Zone (SEZ) Act, 2005 but prior to the notification of the area as SEZ shall be refunded after the SEZ is notified.

**Haryana SEZ Act (2005)**

It aims to promote industrial townships with climate for export promotion.

- SEZ Act allows for exemption from payment of any tax, duty, fees, cess or any other levies for any good exported or imported into the SEZ.
- Inter-unit transaction of goods within the zone goods sent for value addition outside the SEZ to the domestic tariff area and returned back, and services that provide value addition to the project within the SEZ.

  All transactions and transfers of immovable property within the SEZ are exempted from stamp duty.

Haryana’s Industrial Policy 2005 aims to achieve the creation of an efficient and investor friendly environment. Its focus is on the following:

- Developing economic hubs and encouraging private partnership in the development of infrastructure.
- Focusing on economic activities where the state enjoys comparative advantage (e.g. food processing and IT).
- Creating an investor-focused approach in transparency and strengthening the grievance redressal mechanism.
- Providing subsidy to electronics units, agro and food processing units as well as to units being set up in backward areas.
- Exempting all new industrial units –except those in the negative list –from payment of electricity duty for a period of five years.


Policy for IT is an initiative to encourage replacement of the traditional delivery system of public services with IT –driven systems of governance through private initiatives in providing critical infrastructure, systems framework and an enabling environment. For this purpose, the following steps have been taken:

- Constitution of a state-level committee responsible for developing priority sectors to be taken –up for computerization.
• Setting up of a separate secretariat for Information Technology to monitor the implementation of IT initiatives and take necessary steps to remove hurdles.
• Total exemption from payment of electricity duty for captive power generation sets installed by the IT industry.
• Establishment of an IT initiative fund with an initial corpus of $2.1 million for e-governance and applicable enabling technologies.
• Preferential treatment for allotment of land to IT units in all industrial areas developed by state agencies, along with continuous and uninterrupted power supply with exemption from scheduled power cuts.
• Setting up a facilitation committee of government officials and representatives to coordinate and facilitate private investments.
• Escort services and single desk clearances and for obtaining easy clearances on approval by various government departments shall be facilitated for the IT industry. On-line clearance and support network (OCSN) will be established linking all the related departments/organization.
• The state government shall permit setting up of IT software units, IT Parks in urban areas and change of existing industry to IT/IT Parks.
• Relaxation in FAR (Floor Area Regulation) shall be permitted up to 100 percent for IT units and in all IT parks.
• Rebate on registration and transfer of property charges and exemption from stamp duty on a tapering scale shall be given for lease of built-up space to the IT industry establishing facilities in private and government Software Technology Park’s (STPs). The rebate would be applicable on the combined levy of registration fee, stamp duty and transfer of property duty.
• Sales tax concession to new units and expansion/diversification will remain same as already provided in the industrial policy.
• IT software industry will be totally exempted from payment of sales tax. The applicable rate of sales tax on computers and computer peripherals shall be reduced to 0.25 percent.
• IT software and IT services shall be considered as a priority sector by the state level financial institution for ending assistance.
• IT industry shall be exempted from the purview of no objection certificate (NOC) and consent regimes of the Haryana.
Thus, from the above analysis, the conclusion can be drawn that GSDP of Haryana is higher than Punjab in 2009-10. It was also found that FDI inflows, exports, net value added, value of output, fixed capital, and profits are higher in Haryana as compared to Punjab. Man days are lost due to industrial disputes are recorded higher in Punjab as compared to Haryana. On the whole majority of the indicators of industrial sector in Haryana are better than Punjab. Forthcoming chapter analyzes the investment climate of both the states on the basis of secondary data and computes investment climate indexes and compares them.