

CHAPTER 6
POSSIBILITIES OF FUTURE GROWTH OF SMALL SCALE
INDUSTRIES IN INDORE

Introduction

Infrastructure in Indore

Upcoming Projects

Indore SEZ

Super Corridor

Clusters in Indore

Small and Medium Enterprises exchange

Global Investors Summit

CHAPTER 6

POSSIBILITIES OF FUTURE GROWTH OF SMALL SCALE INDUSTRIES IN INDORE

6.1.0 Introduction

Economic forecasting has long engaged the attention of academicians, professionals, planners and policy makers. In the face of uncertainties economic parameters, almost every economic decision depends upon forecasts. If the forecasts suggest a gloomy picture ahead, then economic policy makers may do their best to change the scenario so that gloomy forecasts may not prevail. Forecasting involves predicting future values of economic variables with as little error as possible. Though natural resources do play a crucial role in determining the location of economic activity, the historical forces often assume a more strategic role in the pattern of economic development of any region. Industrial or economic activity gets started at some point in space owing to natural, political or historical reasons, and tends to get concentrated in and around that point.

Madhya Pradesh has 18% agricultural growth, but despite such growth one cannot bank on it only if the state has to provide jobs to an ever-growing population. Importance has to be given to industries in addition to agriculture. Madhya Pradesh benefits immensely in terms of industrial development, owing to its strategic geographical positioning in India. It is positioned at the centre of the country, surrounded by five major states, and thus, enjoys easy transportation and access to other states, which imply a favourable industrial scenario. The state is leading in textile manufacturing, automobiles, food processing, soya processing, engineering and agriculture

equipment manufacturing. Prominent industrial hubs such as Mandideep, Pithampur, Dewas, Malanpur and Pilukhedi have witnessed significant growth in export business. The export business of these industrial centres were estimated at Rs. 2307.45 crore in the year 2006-07 and Rs. 5673-91 crore in the year 2007-08.

Indore is the largest city in Madhya Pradesh and Central India. The growth of industries of Indore has tremendously increased in stature from the time of post independence. The era of liberalization has also seen Indore at the forefront of a number of privatization initiatives which include the country's first toll road and private telephone network. Rapid spread and densification of the Indore city has occurred over the period of time. With growing pressure of population in the district the demand for various products would increase, hence in order to fulfill the future needs various industries would be needed to be set up. Similarly the increase in population would require more employment opportunities to be created, which would not be fulfilled by the agricultural sector alone. Disguised employment would be created as the agricultural sector alone would not be able to employ the largely increasing population. Thus there is need for industries to be set up.

With numerous land development projects on the way, Indore is rapidly becoming the real estate hub of the country. As a result, Indore has the highest real estate value in the state of Madhya Pradesh and after the completion of some major development projects; the real estate value is expected to soar further. Urban development project is also underway to meet the requirements of individuals moving into the city for work purposes.

6.2.0 Infrastructure in Indore

Further to enhance the industrial and economic development of any region, an efficient, functional and a strong transit system is mandatory. Located at the crossroads of western and central India, Indore has relatively good connectivity and has been the hub of trade and commerce not only for the state but also for western India. The city holds a dominant position and is a vibrant centre for trade and commerce. Indore provides industries with complete civic and industrial infrastructure, which drive industrial growth. Many multinational and national companies have stood ground in this city as it is well connected through rail and roads to almost all major towns in India, which is a boon for development. The availability of infrastructure facilities like, Industrial space, power water, Transport, Telecommunication linkage trained labour and financial assistance etc. is the important factors which determine the Industrial growth of the area. Furthermore It is advantageous to set up units in Indore because the land and knowledgeable workers are available at a very low cost. It is an industrially peaceful state with fewer law & order problems.

6.2.1 Industrial Land/Area

The state Government has developed Industrial areas/Estates in the district where Industrial plots/ sheds are made available to the entrepreneurs at most reasonable prices and various fiscal incentives are granted by the District Industrial centre.

6.2.2 Airways

The Devi Ahilyabai Holkar Airport, also known as the Indore Airport, is located 8 kms south east from Indore. The airport connects Indore directly to some of the major commercially successful cities in India such as Mumbai, Delhi, Ahmedabad, Hyderabad, Kolkata, Jaipur, Raipur, Nagpur, Bengaluru, Pune and Bhopal. The Devi Ahilya Holker Airport Indore which has proposed for an international airport has started and thus will be a catalyst for future development

6.2.3 Roads

Roads are another very important constituent of developmental infrastructure, particularly when rail facilities are insufficient. Indore is well connected in terms of transport. The district spans 3,898 kms and is well connected by road to Mumbai, Agra, Gwalior, Ahmedabad, Pune, Bhopal and Ujjain.

Indore is also well connected to other parts of India through the national and state highways. Some major highways pass through Indore, linking it to some major cities. The National Highways Development Project (NHDP) received approvals for the following:

- A 45.05 kms highway connecting Indore to Dewas, slated to be completed by May 2013 (NHDP Phase – V Projects Under Implementation)
- A 155.15 kms highway Indore- Jhabua-Gujarat/MP, scheduled to be completed by April 2013.

Although there is good connectivity of roads from Indore to other states the condition of the roads within some industrial sector is not very good. The government has realised that there is an urgent need to develop the roads and drainage facility. The state government has planned to take a loan of R.s 481 crore from HUDCO. 52.95 Crore would be sanctioned to Sanwer road for the same.

6.2.4 Fire Station

Fire stations are also not found in the vicinity of most of the industrial areas. Fire tenders take a lot of time to reach accident sites because of poor condition of roads in this industrial hub of Indore. For the past two years, the association has been trying hard for a fire station in the area which would enable fire tenders to reach the site of any mishap in a short time. The town and country planning department has given approval for the fire station which will come up on 10,000 sq feet area. The inspector general (fire control) has approved a fire station in the industrial area and two fire tenders.

6.2.5 Water Supply

A demand of 564 MLD will be met from following projects.

Narmada water supply Project phase III construction on which had started in 2006, envisages supplying additional demand of 360 MLD in 2010-11 in its first phase by pumping water from the existing off taking place i.e Jalud in Maheshwar dam reservoir on Narmada at the cost of Rs.5750 Millions under funding from Asian Development Bank. In addition, 23 overhead tanks (capacity 69 MLD and distribution network of 400 km have also been taken

up for construction. The existing capacity of Yeshvant Sagar is being augmented under JNNRUM. Augmented capacity of Yeshwant Sagar at Phase-I is 42.5 MLD, and 54 MLD at Phase-II will additionally be available to meet the demand of Western area of the city. Bilawali reservoir will also provide 4.5 MLD.

6.3.0 Upcoming Projects

Various Projects have been approved under Assistance to States for Developing Export Infrastructure and Allied Activities.

| Project | Implementing Agency | Status |
|---|--|--|
| Establishment of Crystal IT Park | AKVN Indore | Under implementation |
| Equity Participation in Special Purpose Vehicle in SEZ , Indore | AKVN Indore | Completed |
| Upgradation of Infrastructure in Industrial Area Sanwer Road | AKVN Indore | Completed |
| Upgradation and strengthening of Approach Road at industrial area, Pologround | AKVN Indore | Completed |
| Establishment of SEZ in Indore (Project Eng. Work) Indore | AKVN Indore | This Project has been included SPV for SEZ |
| Upgradation of approach road in Agri Export Zone in Indore Malwa | MP State Agro industries development Corp , Bhopal | Under implementation |
| Construction of cement concrete road and drainage at industrial area Laxmibai Nagar | AKVN Indore | Under implementation |
| Uninterrupted power supply by MPPKVCLC | MPPKVCL Indore | Under implementation |
| Construction of cement concrete road at SEZ Phase I, Indore | AKVN Indore | Under implementation |
| Upgradation of infrastructure in industrial area, Sanwer Road,(Avantika Gase Ltd) | AKVN Indore | Under implementation |

**Source: Department of Commerce, Industry & Employment,
Madhya Pradesh**

6.4.0 Indore SEZ

The Indore SEZ Ltd located at the Pithampur Industrial Area, about 25 km from Indore, was initiated by MP-AKVN. The SEZ houses many pharmaceutical, plastic, engineering and other units. It is equipped with basic infrastructure such as fully covered campus, container depot facility and strong infrastructure such as roads, power connectivity, water, transportation, banking and post offices. The Indore SEZ, which is also the country's first greenfield operational SEZ, spans 1,038 hectares. It was developed in two phases with a total planned investment of around ` 10.50 bn. With the development of SEZ at Pithampur many ancillary industries will get an opportunity to grow in and around Indore.

6.5.0 Super Corridor

Indore is the financial capital of Madhya Pradesh and therefore a very growing city in Madhya Pradesh in all respects i.e. international airport, infrastructure, I.T. Sector, Connectivity to other states by Roads, Big Commercial Projects, Malls, Historical Monuments, Multi storied Apartments & so on.

Now there is an 8-lane Corridor made by Indore Development Authority (IDA), named as Super Corridor. Super Corridor is built on 240 hectares of land by PPP (public-private to rope in big investors to the city, it is an upcoming area for investment as it connects western Indore to Eastern Indore & airport road to MR-10 road & also Ujjain 4-lane road.IDA is Planning for

Sports Complex, Plot for Schools, Hotels, Malls, bus terminal & proposed Railway Stations in this area.

India's leading IT company TCS has acquired 100 acres of land & Infosys acquired 130 acres of land at Super Corridor. Investing in Plots in these areas is highly recommended. In recent years, the state government has also introduced many policies to encourage the development of Indore.

6.6.0 Clusters in Indore

Many efficient incentive schemes which aim at developing industries in Indore through a 'cluster' approach have been launched. The state government has acknowledged Textile, Pharmaceutical, IT, Auto Components and Food Processing as the priority sectors for the city. With the constitution of industrial clusters around Indore, its economic geography has expanded rapidly in the recent years. The major economic clusters around Indore are located in Kheda, Sanwer, Pithampur and Dewas.

6.6.1 Growth of various Clusters

Pharmaceutical cluster

The pharmaceutical cluster of Indore comprises units producing allopathic and ayurvedic formulations in various dosage forms including syrups, tablets, capsules, ointments, I.V. fluids and eye drops.

The history of the pharmaceutical industry in Indore can be traced back by around hundred years when Wadnere Industries, a gripe water manufacturer for children, was established. However, the real boom in the pharmaceutical industry was marked by the beginning of active involvement of Madhya Pradesh Laghu Udyog Nigam (MPLUN), a government agency, in marketing. The early nineties saw establishment of a pharmaceutical industrial estate at Pithampur and that of Dawa Bazar, which covered 200 pharmaceuticals companies under one roof and helped wholesalers establish offices. Indore's Dawa Bazar is one of Asia's biggest pharmaceutical trade houses, where apart from wholesale and retail outlets of small manufacturers of the cluster, multinational and other big companies have marketing offices.

Factors contributing to growth of the pharma cluster of Indore, are:

- Availability of basic infrastructure facilities
- Formation of pharma associations
- Active involvement of MP Laghu Udyog Nigam in marketing
- Availability of quality manpower
- Availability of machinery and raw material suppliers
- Availability of good transportation facilities by rail, road and air
- Advantage of strategic location - Madhya Pradesh is surrounded by Maharashtra, Gujarat, Rajasthan and Chhattisgarh

- Proximity to the markets of adjoining states
- Establishment of testing laboratories in the private and government sectors
- Availability of educational institutions: medical, pharmacy, and ayurvedic colleges
- Establishment of dry port at Pithampur Cargo facility.

State-level pharmaceutical and other key associations

- Madhya Pradesh Pharmaceutical Manufacturers' Organisation
- Madhya Pradesh Small Scale Drug Manufacturers' Association
- Madhya Pradesh Chemist & Druggist Association
- The Indore Chemists & Druggist Association
- Malwa Chamber of Commerce
- Basic Drug Dealers' Association
- Association of Industries Madhya Pradesh
- All India Manufacturers' Association
- Chemical Traders Association

Garment Cluster

Indore has a strong historical base of textile industry. Recently an Apparel Park for integrated textile units is being built up within the SEZ in Indore. The park spans 133.38 acres and has state-of-the-art Common Effluent Treatment Facilities (CETP). The SEZ is equipped with an efficient road system, water supply, drainage and effluent treatment, power supply and street lighting including back-up power. The Readymade Garments Complex located in Pardesipura, Indore, spanning 16.27 hectares has a large number of garment manufacturers. The infrastructure facilities available in this complex

include roads, water supply, drainage and effluent treatment, power supply and street lighting including back-up power, and shared amenities like centres for well-equipped training, design, research and testing, exhibition and conferences, business services, warehouse, health clinic/dispensary and crèche.

Salient features of the complex are mentioned below:

- Sanction of 0.14 billion from Ministry of Textile (Government of India) to create world class infrastructure in this complex
- A facilitative regime through decentralisation, deregulation, self certification and simplification of labour laws
- More than 1,200 garment units in the Indore readymade garments cluster
- Focus on value addition in textiles
- Proximity to Mumbai and Kandla ports
- Continuous, stable power supply; favourable captive power policy
- Facility of inland container depot
- Well connected air, rail and road networks.

Information Technology

Madhya Pradesh government is looking at developing Indore as the next destination for IT with a view to attract investment and generate employment. The government has spent 150 crores on constructing the crystal IT Park in Indore which is expected to provide employment to 25000 people after its turning operational. The Crystal-IT Park located at Bhawarkua in Indore spans 8.51 hectares. It has facilitated well-established roads, cheap transport, hospitals, schools, fire stations, power grid, banks and

financial institutions. Moreover, Indore comprises some of the leading management, engineering and medical colleges, which provide a good source of manpower such as specialised engineers, IT professionals and management executives.

The park also enjoys the following facilities:

- Centrally air-conditioned
- Fire fighting system
- Uninterrupted power supply with DG backup
- Good primary and secondary road network
- An advanced optical fibre network
- Excellent telecom connectivity
- Professional property maintenance system
- Fast track clearance mechanism for setting up operations.

The government has already allotted land to major IT companies like TCS, Infosys and Wipro in this regard. The opening of IT companies in Indore is still at a nascent stage but anticipation of the boom has already spurring social and economic infrastructure development of the city. IT companies are visiting to explore avenues and some foreign investors have already invested huge sums of money in concurrent projects going on in and around Indore.

Namkeen cluster

Indore's sweets, namkeen and farsan products are famous all over the country. Indore is traditionally popular for its namkeen products. The namkeen industry is labour-intensive with majority of the functions and operations being carried out manually or through use of basic machinery. The Namkeen Cluster will be setup on 12 acres land in Sanwer Road Sector D

and an approximate amount of Rs. 10 crores has been sanctioned for the same. The cluster is currently having an annual turnover of Rs.500 to 525 crores.

Rechargeable Torch Cluster and Plastic Packaging Cluster

In an attempt to provide a proper ground for growth to the micro, small and medium enterprises, the Union government's MSME department has developed two industrial clusters in Indore. The development of Indore's rechargeable torch manufacturing and plastic packaging cluster has given these industries a major boost. At present there are 100 rechargeable torch manufacturing and nearly 135 plastic packaging units in the city. There are no exports from this sector but they cater to the domestic sector only.

6.7.0 Small and Medium Enterprises Exchange

Small and medium enterprises (SMEs) have always complained of difficulty in accessing both debt and equity capital. While the government has taken several measures to ease access to credit, giving them easier access to equity is the next step in that process. Recently SEBI has granted approval to Bombay stock exchange and the SME Exchange was launched on 13.03.2012. Enterprises with Net Tangible assets of at least 1 crore as per latest audited financial results can be listed on the exchange. The BSE SME has received wonderful response from various sectors, including agro-based industry, manufacturing, textiles, IT, construction, etc. A number of Merchant bankers are also optimistic about the initiative. With the opening of the SME Exchange these industries will get access to capital and future financing opportunities and the employees of the SME enterprises can participate in the

ownership of their own company and benefit from being a shareholder. The ability of companies in their early stages of development to raise funds in the capital markets will allow these companies to grow very quickly.

6.8.0 Global Investors Summit

Global Investors summit is a biennial summit organized by the government of Madhya Pradesh to attract domestic and foreign investment for the development of the state. The summit served as a perfect platform for leaders, investors, policy and opinion makers to understand and explore business opportunities. First Global Investors summit started in 2007 and the third summit was completed in October 2012.

Global Investors summit 2007- Signed 102 Memorandum *of* Understandings worth 1.20 Trillion.

Global Investors summit 2010- Signed 107 Memorandum *of* Understandings worth 2.35 Trillion.

Global Investors summit 2012- Signed 259 Memorandum *of* Understandings worth 4.31 Trillion.

Major Investment Plans in the 2012 summit are

- Setting up air cargo hub at Indore for which 500hectares of land would be acquired near Airport.
- Reliance Anil Ambani group will enhance integrated power plants in Madhya Pradesh.
- HUDCO to invest Rs. 2000 crore to strengthen urban water supply and urban infrastructure.