INDORE

OPPORTUNITIES FOR UK PLC IN EMERGING CITIES OF INDIA

CONTENTS

INDORE

Indore is the single largest business centre of Madhya Pradesh, commanding a majority of the volumes in trade, industry and services, over other state cities. It is located to the extreme west of the state of MP on the banks of the rivers Saraswati and Khan that unite at the centre of the city. Madhya Pradesh shares borders with five other Indian states – Maharashtra, Uttar Pradesh, Chattisgarh, Gujarat and Rajasthan. Therefore, Rajasthan is in an excellent location, set right in the centre of the nation's commercial activity.

CITY OVERVIEW

The city of Indore was built by the Holkar queen Rani Ahilyabai in the 18th century. It became the capital of the Indore princely state in 1818 and soon evolved into an important trading centre. In 1956, Bhopal was made the capital city of the newly formed state of Madhya Pradesh (MP). However, Indore continued to remain the commercial capital.

Over the years, people from all corners of the country have migrated to and settled in the city. The average annual population growth rate of Indore is high at around 3 per cent.[94] This growth rate can, to an extent, be attributed to the increased levels of commercial activity of the city.

PHYSICAL INFRASTRUCTURE

CONNECTIVITY

Indore is well connected with major Indian cities via road, rail and air. Indore's Devi Ahilyabai Holkar Airport, the busiest airport of Madhya Pradesh is being upgraded to an international airport. To take full advantage of its strategic location, a large-scale project for setting up an air cargo complex at Indore airport is underway which will provide services to exporters and importers. Regular train services connect Indore to most parts of the country. There are seven train stations within the city providing local transport. To meet the increasing travel demand within the city, the Indore Bus Rapid Transit System (BRTS) was launched in December 2005 as a public private partnership to manage public transport in the city. The expansion of BRTS lanes throughout the city is ongoing. Some major highways pass through Indore and connect to key Indian cities such as Mumbai-Agra, Indore-Ahmedabad, Indore-Bhopal, and Indore-Khandwa. On an average, 88,423 vehicles move in and out daily at the outer cordon, of which 23 per cent are freight vehicles.[95]

[94]Census (2001)
[95]Indore City Bus Service

INDORE IN NUMBERS

- Indore is the biggest centre for soybean processing in the country.
- Indore ranks 8th in India in quality of health services.100+ educational institutes and 9 universities

POWER

Indore is establishing itself as a renewable energy destination with a focus on wind and solar energy. Indore SEZ[96] offers uninterrupted power supply to its residents.

CASE STUDY I1: SEZ INDORE[97]

The Government of MP took the initiative to develop the Special Economic Zone (SEZ) Indore and approved the MP SEZ Policy in July 2002. Key sectors for the SEZ are trading and logistics, metallurgical exports, power and granite semi finishing. Indore SEZ is the first Greenfield SEZ in India. 24 hour water supply and uninterrupted power are available.

INDUSTRY

Indore has a number of industrial clusters such as pharmaceuticals, textile, food, IT and auto components clusters. While, Indore has traditionally been a hub for agri-business, eg soya bean processing there is a growing scope for renewable energy generation and the built environment.

Initiatives to build specialised infrastructure to propel the growth of industrial clusters are being taken by the state and local administration: The Digital Auto Testing Track at Pithampur, the Crystal IT park and Apparel Park are all large industrial infrastructure development investments.

INVESTMENT CLIMATE

Despite MP's central location, the rate of growth of the state has been relatively slow compared to other states. The MP Government has implemented conducive investment policies and a simplification of procedures to address this shortfall.[98]

There is a belief among the business community, that infrastructure has improved in Indore in the past few years and that the pace of development is expected to increase.[99] A growing number of educational institutions and heightened entrepreneurial activity in the city are signs of an upbeat investment climate. A two-day Global Investor Summit was organised in Indore in October 2007, at the initiative of the Sate Government and the Federation of Indian Chambers of Commerce and Industry (FICCI), to facilitate investment in the state.[100]

> Indore has a very price sensitive market, thus technological advancement should ultimately lead to cost benefits.
>
> Atul Kothari, Chairman, Young Indians - Indore

[96]See Case Study I1: SEZ Indore
[97]SEZ Indore
[98]Government of Madhya Pradesh (2007)
[99]UKIBC (2008)
[100]Of the 96 MoUs worth GBP 16634.66 million, signed during the Global investors Summit 2007 held in Indore, 15 worth GBP 323.79 million cover the food processing sector, 48 worth GBP 6750 million cover a large gamut of industries and six worth GBP 7985 million cover the energy sector. Ten MoUs worth GBP 395 million are linked to education, four worth GBP 245.32 million are linked to health and 12 worth GBPv932 billion to Information Technology.(The Hindu 28 October, 2007)

CASE STUDY I2 - BREATHE EASY: PROMOTING RENEWABLE ENERGY IN INDORE

Many of Indore's enterprising individuals have caught on to the fact that there are business opportunities in the promotion of renewable energy. Anand Gupta is one of them. Gupta, who has spent most of his life in Indore, developed a keen interest in the field of energy generation and its environmental impact while studying chartered accountancy. He noticed that as Indore was growing as a business hub, its pollution levels were also rising sharply. At the same time with strong wind and sunlight for more than 300 days in a year, Indore was ideal for renewable energy generation.

A number of companies have already begun to capitalise on this opportunity and have established large renewable energy systems around the city. Capacity building initiatives in technology and technical human resource have also been undertaken. However, Gupta realised that the promotion of Indore as a renewable energy destination would require an integrated effort of well-informed and networked young entrepreneurs, industry professionals and business people. Knowledge, he felt, was the intangible asset needed.

Acting on his insight, Gupta successfully partnered with a Spanish publication, Energetica. Energetica has effectively created a niche for itself as a technical energy publication in the Spanish and European markets over the past eight years.

The Indian edition of the magazine will be dedicated to giving maximum coverage to Indian companies in the Energy sector not just to Indian audiences but also at internationally recognised events, exhibitions and conferences. It will be a bi-monthly publication and focus on the latest power generation news, outstanding product developments, technologies and legislative issues.

Gupta believes that even though both central and state governments are offering various incentives to promote the use of renewable energy, Indore still has a long way to go before it can fully capitalise on its innate potential to become an example in the field of energy and environment

SOCIAL INFRASTRUCTURE

HEALTHCARE

Indore takes the lead in healthcare facilities with noteworthy hospitals and pharmaceutical companies. Started in 1979, Choithram is the oldest hospital in the city. Other well known hospitals include Maharaja Yashwantrao Hospital, Indore Chest Centre, Apollo, Bombay Hospital, Vishesh Hospital, Gokuldas Hospital.

UNIVERSITIES AND EDUCATIONAL INSTITUTIONS

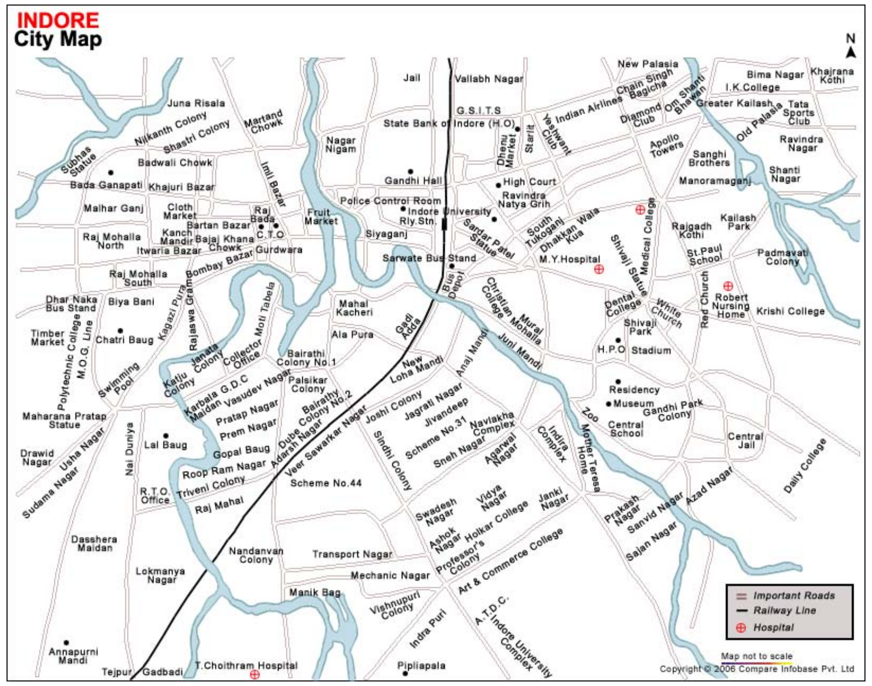
The literacy rate is 82 per cent.[101] Indore is the only city in the country to have campuses of both the Indian Institute of Management (IIM) and the Indian Institute of Technology (IIT), ranked as the best institutes for business management and engineering, respectively. Devi Ahilya University is a state government statutory university of MP. After graduating, a large percentage of students migrate to other cities due to lack of opportunities in the city.

[101] Indicus Analytics (2006)

CITY ECOSYSTEM

SOCIAL AND PROFESSIONAL NETWORKS

Organisations such as The Indus Entrepreneurs (TiE) offer networking opportunities. The Indore Management Association (IMA) is an association of entrepreneurs and professional managers that provides a platform for the exchange of experiences and information with the aim of developing sound management practices and improving the managerial skills of its members. There are a number of formal networking organisations for specific clusters such as the Soybean Processors Association (SOPA) and the Spices Board. There also exist a number of informal networks within specific sectors.



LOCAL MEDIA

Indore has a strong and flourishing local media scene. There are a number of newspapers, magazines and local TV stations. Naidunia is one of the oldest newspapers in the city, while Dainik Bhaskar is the most widely read newspaper. Other popular newspapers Published from Indore include The Raj Express, Deshbandhu, NewsToday, Nav Bharat, Indore Samachar, Swadesh, Chautha Sansar, Chronicle, The Alma Times, Aiita News and The Free Press Journal . The weekly edition of the Times of India, (called Indore Plus) and evening newspapers like Agni Baan, Prabhat Kiran and Dainik Dopahar are also popular. There are about nineteen Hindi dailies, two English dailies, twenty-five periodicals, three quarterlies and one annual paper published from the city. Major local TV channels include Saurabh TV, Raj TV and Bhaskar TV.

LANGUAGE AND CULTURE

The region was ruled by the Marathas in the 17th and 18th century, which was when the Malwa culture developed. However, as Indore became a centre of trade and commerce, people from all parts of the country migrated to and settled in the city. This has given the city a cosmopolitan nature. The official language of Indore is Hindi. Other languages spoken here are Marathi, English, Rajasthani, Malwi, Punjabi, Sindhi and Urdu.

> lPeople in Indore are very hospitable. People from all parts of India live here. They are well networked and very enterprising. People have a broad and welcoming outlook to foreign investment.
>
> I .C. Gupta, Director, Prestige Institute Of Management & Research

ENTREPRENEURIAL ACTIVITY

There is no special focus by the government to promote entrepreneurial activity in the city. However, our research found that Indore's entrepreneurs are participating in the natural growth of the city by seizing opportunities in sectors such as Creative and Media, Automotive Ancillaries and IT and ITES.

STATE AND STATE AGENCIES

In the past few years, the state government has introduced a number of policies to promote the development of Indore. The MP State Industrial Policy 2004, offers special packages for loss making units and incentive schemes, and focuses on developing industries through a cluster approach. The Policy also established the MP Trade and Investment Facilitation Corporation (TRIFAC).[102] Overall distribution of resources, in both rural and urban areas of the state such as power and capital, is decided by the state government. However, at the local city level, this is handled by the Municipal Corporation of Indore. The state government has identified Pharmaceutical, Textile, Food Processing, IT and Auto Components as the priority sectors for Indore.

ECONOMIC GEOGRAPHY

The economic geography of the city has expanded during the past few years, primarily due to the formation of industrial clusters around the city. The main economic clusters around the city are located in Pithampur, Kheda, Dewas, and Sanwer.

CASE STUDY I3: INDORE'S INDUSTRIAL BELT - PITHAMPUR AND DEWAS

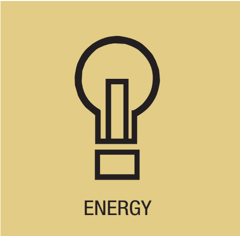
PITHAMPUR - is located 35 km from Indore. This area has attracted investment of GPB 993.65 million and provides employment to approximately 25,000 people.[103] Pithampur is the biggest automotive hub of India and has more than 80 auto and auto parts manufacturing units. Pithampur Auto Cluster Limited (PACL) has come up in joint association with the local industrial organisation, Pithampur Audyogik Sangathan, the state government agency, Indore Audyogik Kendra Vikas Nigam and the central government to promote the auto industry on various fronts. India's first digital auto testing track will be built in this area.

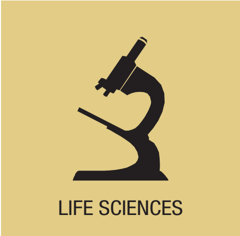
DEWAS - lies 32km north east of Indore and is known as the Soya capital of India. Various iron and steel foundries, leather industries, engineering and textile units operate in this area.

[102] Government of Madhya Pradesh (2007)
[103] National Manufacturing Competitiveness Council

BUSINESS OPPORTUNITY ANALYSIS

Four key sectors have emerged in Goa. Each of these sectors is likely to offer several opportunities for UK companies:





FOOD AND DRINK

- Indore is the largest soybean-processing centre in the country.
- There is easy access to raw materials, as the city is surrounded by vast agricultural lands.
- A food park spread over twenty-seven acres has been set up in Nimrani, near Indore.
- Swastik food industry (health enhancing foods) and solar food processing is a growing industry.

ADVANCED ENGINEERING

- *Automotive* - The automotive industry is a key growth area. A budget of GBP 728 million for building Asia's largest digital auto testing track for research and development has been announced. Plans to open specialised auto training colleges are underway.
- *Textile Manufacturing* - Indore has traditionally been a textile manufacturing hub. The Government plans to establish the Malwa region of MP as a Textile Zone in which the Apparel Park, garment complex and power loom clusters would be developed.

Dhar Automotives of Indore has set up a 0.23-MW wind power plant at Jamgodrani, Dewas, on private land. Suzlon Energy, India's leading wind power company has set up two 6.25 MW projects each on forest and private land at Nagda, Dewas.

Projectsmonitor.com

LIFE SCIENCES

- Indore has twenty large-scale companies and more than 200 small scale ones engaged in the production of various pharmaceutical formulations.
- A board for biodiversity and life sciences, under the Chairmanship of the Chief Minister, to establish a pharmaceutical cluster.
- Some of the best medical colleges of central India like Shri G.S. Institute of Technology and Science and College of Pharmacy provide for the required Human Resource.

ENERGY

- With enough strong wind, and sunlight for more than 300 days in a year, Indore offers great scope for companies wanting to set up wind and solar energy plants respectively.
- Madhya Pradesh Urja Vikas Nigam Ltd. is carrying out various programmes to develop and exploit renewable energy.

Foreign companies entering the food processing industry in Indore need to be long term players. A simple exchange of technology may not be so useful... a long term strategy [would] include everything from training of farmers to technological input in obtaining high quality agricultural produce.

O. P. Goel, Chairman, India Soya Association

POTENTIAL BUSINESS OPPORTUNITIES

BUSINESS OPPORTUNITY OWNER	LINKAGE WITH UK INDUSTRY CAPACITY
I1 was founded in 1983 as a test and measurement instruments and technical training equipment manufacturing and marketing company. Today it has grown into an ISO 9000:2001 certified company with an annual turnover of over GBP 4 million employing over 300 people with strong technical skills. It operates out of fourteen offices around India. It offers over 350 products, including; automotive electronic products which promote fuel and machinery efficiency in cars, microwave components, test benches and cryogenics instruments for use in industry, defence and education. These include training products for wind energy, which demonstrate the conversion of wind energy into electrical supply. For four consecutive years, the Company has won the Electronics For You (EFY) Magazine Reader's Choice award in the Educational Trainers/kits category. The company is a member of the Indo German Chamber of Commerce and Worldidac, and sells its products in over 55 countries, including, Italy, U.K., Tunisia, Egypt, Sudan, Syria, Malaysia, Singapore, Taiwan, UAE, Nepal, Ethiopia, South Africa, Nigeria, Kenya, Indonesia, Bangladesh, Pakistan, Sri Lanka, Korea, Thailand, Vietnam, Saudi Arabia, Mexico, Philippines, Finland, Canada, Brazil, Jordan, Israel, Yemen, Iran, Iraq, Australia and Hong Kong. The company has collaborated with thirteen international companies for marketing its products on a global scale. These tie-ups are based in Australia, Hungary, Italy, Japan, Singapore, Taiwan, UK and USA. The company is currently expanding its mechanical facilities and has been purchasing additional land for future expansion.	The opportunity could help create potential linkages with UK industry capacity in the **Advanced Engineering,** and **Energy** sectors. Within this, the sub-sectors it maps back to are **Automotive,** and **Renewable Energy.** The opportunity owner is specifically looking for auto ancillary companies with specialisation in vehicle design, manufacturing, component manufacturing, sub assemblies, automotive electronics, structural analysis, manufacturing systems, ergonomics, vehicle aerodynamics, hybrid vehicles, and performance engineering and new materials. Within the Energy sector, the opportunity owner is looking for expertise in alternative energy technology. It needs knowledge of alternate energy technology which can be used to develop alternative energy training equipments. It is also interested in receiving technology inputs for designing and manufacturing electronic, electrical and mechanical parts.
I2 is an auto ancillary company, involved in designing, developing and manufacturing Fibre Reinforced Plastic (FRP) products for automotive, industrial, railway and other applications. The company has three factory units across 36000 square feet. It has a workforce of about 200 well-trained people. Its key resource people have been trained in UK, France and at the National Aerospace Laboratories (Bangalore), Saint Gobain Vetrotex (Hyderbad) and the Composite Technology Centre (IIT Chennai). Previously, the company has employed technical experts from the UK and France. The company offers concept styling, designing, 3D modelling, pattern manufacture, mould development and commercial supplies. In its manufacturing process, it uses the Resin Transfer Moulding (RTM) process on Glas-Craft machines. They also have a fully equipped paint shop, conventional hand lay-up process, and in-house capacity to manufacture moulds. Their client base includes prominent players in the auto industry, namely, Volvo, Tata Motors, Eicher Motors, Bajaj Tempo, L&T John Deere, Hindustan Motors, Mahindra and Mahindra, and Indian Railway amongst others. The company is expanding its production capability, and has recently established a production facility in Goa. The company has plans to enter the marine parts construction sector.	The opportunity could help create potential linkages with UK industry capacity in the **Advanced Engineering** sector. Within this, the sub-sector it maps back to is **Automotive.** The opportunity owner is seeking technology inputs and/or co-development for design and manufacture of road and rail transport ancillary products. The Opportunity owner is also seeking Auto ancillary companies with specialisation in vehicle design, manufacturing, component manufacturing, sub assemblies, automotive electronics, structural analysis, manufacturing systems, ergonomics, vehicle aerodynamics, hybrid vehicles, performance engineering and new materials.

BUSINESS OPPORTUNITY OWNER	LINKAGE WITH UK INDUSTRY CAPACITY
I3 a Soya bean processing company. The company has an annual turnover of GBP 36.5 million and about 200 employees. The company plans to expand its manufacturing and marketing capacities, especially with regard to post-production management like supply and marketing of Soya products.	The opportunity could help create potential linkages with UK industry capacity in the Food and Drink sector. Within this, the sub-sectors it maps back to is **Speciality Foods, Primary and Secondary Food Processing,** and **Health Enhancing Foods.** The opportunity owner is scouting for companies offering food processing technology for increasing productivity of Soya grains and grain handling, and innovative inputs for supply management and marketing. The opportunity owner is also interested in knowledge collaborations for training farmers and factory workers to increase the production of Soya grains.
I4 is a start-up founded by a young entrepreneur in 2008 to seize the opportunities in the energy sector. The company launched India's first technical power generation magazine that covers the latest power generation news, product developments, latest technologies, and energy legislations in India and other countries. The magazine is the Indian counterpart of an international energy magazine that has been catering to European markets for over 8 years and has published over 85 issues. This magazine is aimed at a range of stakeholders in the energy sector, including state electricity boards, technology institutes, and energy specialists. There are six editions of the magazine in a year. 10,000 copies of the magazine are distributed in free form and/or by subscription to organisations in the sector. The major subset that the magazine targets are the engineers at companies that install power plants, operators of power plants, promoters of power plants, and manufacturers of equipment used in power plants . The company wants to increase the sale of the magazine. It also plans to capture the global power sector companies who want to enter the Indian market by helping them advertise their products in the magazine.	The opportunity could help create potential linkages with UK industry capacity in the **Energy** and **Creative** and **Media** sectors. Within these, the sub-sectors it maps back to are **Renewable Energy** and **Publishing.** The opportunity owner is scouting for advertising agencies with global reach, and media and publication companies with specialisation in the energy sector to promote the magazine and source relevant content.

All the above are live business opportunities in Indore-based organisations. If you are interested in finding out more about any of these opportunities, please contact UKIBC who will be able to facilitate an introduction.

KEY OBSERVATIONS

- There is a growing demand for entertainment centres in the city. The 'Treasure Island' is the first and only mall of Indore, and one of the largest malls in central India. This is indicative of increased consumer spending on retail goods and entertainment activities.
- Competitive advantages in Indore include a land cost advantage, strategic location, peaceful labour environment and a rich natural resource base.
- Indore also enjoys a unique manpower cost advantage especially for middle and lower level labour. The cost of skilled labour is GBP 2.11 as compared to GBP 3.5 per day in metros.[104]
- Potential sectors for development and growth in the future are likely to include UK priority sectors :

  - *Creative and Media:* Local textiles and designs are gaining popularity. Local artisans are customising their designs to appeal to western tastes. (e.g. designs of Maheshwari sarees, Bagh block prints, Jhabua tribal handicrafts, etc). The jewelry designing sector is growing. The only functioning diamond mine in India is near the city .
  - *Built Environment:* A number of townships are being built to meet the increasing demand for residential houses. According to CII Indore officials, transport, logistics and entertainment infrastructure is also growing at a fast pace in Indore.

[104]Government of Madhya Pradesh (2007)

UKIBC New Delhi
Fourth Floor
Statesman House
Barakhamba Road, Connaught place
New Delhi 110001
T: +91 99 582 99 247

UKIBC Mumbai
Level 9, Platina, G- Block, Plot C - 59,
Bandra Kurla Complex (near Citibank building)
Bandra (East), Mumbai – 400 051.
T: +91 (0) 22 3953 0504

UKIBC London
12th Floor Millbank Tower,
21-24 Millbank, London
SW1P 4QP
T: +44 (0) 207 592 3046