

The Chronicle

Uttaranchal - An investment destination

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The state of Uttaranchal is fast becoming a sought after locale for pharma and biotech activities in the country, especially within north India. Several pharma and biotech companies are making huge investments in this state to capitalise on the existing advantages like tax sops in the excise free zones.

Taken up by the tax sops of the government in the excise free zone, big companies have already set up facilities for manufacturing activities, while small firms have grabbed the opportunities in contract manufacturing. Haridwar, Roorkee, Dehradun and Rudrapur are the main pharmaceutical hubs in the state, which extend tax holidays for the investors. Apart from contract manufacturing, the players are also concentrating on generic formulations.

The future of the state as a leading pharma hub looks bright, except that the ongoing issue of withdrawing tax exemption has kept most of them worried and forced many aspirants to either drop the plans or adopt a wait-and-watch policy.

About 100 companies have invested Rs 2000 crore in the recent years and the list includes many big names. The industry has given jobs to 20,000 in the past. About 40 companies opened their facilities in the past one year and another 30 more companies with a total investment of around Rs 500-700 crore are expected to foray into the state in the near future, according to a spokesman of the Chamber of Devbhumi Pharmaceutical Industry, representing the drug makers in the state.

"Contract manufacturing is the future of small and medium size companies. But they should have a vision to produce quality products with a low margin. Otherwise it would be difficult for the small and mid cap companies as they are already facing a lot of competition in that space. It is better to tie up with MNCs or foreign companies. The small and mid players may lack good manufacturing facilities, apart from shortage of technical staff. But they can also be in the race if they overcome these shortfalls," said an entrepreneur.

"Uttaranchal is gradually becoming very competitive. New companies are establishing units at Haridwar showing that growth prospects are positive," said a spokesman of the Uttaranchal Pharmaceutical Manufacturers Association.

The state has developed a 'Pharma City' near Dehradun under the aegis of the State Industrial Development Corporation of Uttaranchal Limited (SIDCUL), with an investment of Rs 175 crore. Spread over 50 acres at industrial estate Selaqui, 40 plots have already been allotted to 36 pharma companies. On an average, the companies would be investing upward of Rs 3 crore, officials said.

However, the investors who rush to enjoy the tax holiday also face lots of hurdles like insufficient infrastructure and manpower, which is also costlier compared to other places.

"Compared to Maharashtra and Gujarat, the infrastructure is bad in Uttaranchal. There is no uninterrupted power supply for the industries to work properly and roads are really bad," said, Prakash Setia, chairman, Apcos Pharma Ltd.

"Internal infrastructure is fine and the support from the Government is positive. But the road from Delhi to Uttaranchal is really in bad shape," said, Sandeep Jain of Akums Pharma, a leading native leader in the pack.

According to the spokesman of Chamber of Devbhumi Pharmaceutical Industry, the drug department in the state was positive but was foxed by the lack of enough personnel and space. The investors of Dehradun were facing problems with the pollution board in clearing the projects, he said.

The Hyderabad-based Natco Pharma Ltd has made an investment of Rs 10 crore in the Pharma City, while India Glycols Ltd, also a major investor, is investing Rs 7-8 crore. The companies that were allotted land are Sami Labs Ltd, Lactose (India) Ltd, Household Pharmaceuticals Ltd, ABCO India, Stepan Laboratories Pvt. Ltd, India Glycols Ltd and Premier Nutraceuticals Pvt Ltd. The companies in this city enjoy financial incentives of 100 per cent, central excise exemption for 10 years, 100 per cent income tax exemption for first 5 years and 30 per cent for next 5 Years, CST @1per cent for 5 years and capital investment subsidy @15 per cent with a maximum of Rs 30 lakh.

Several more companies are coming to the state with fresh investments. Coral Labs will be investing Rs 25 crore in their new facility, while Dabur is planning Rs 50 crore investment. In Dehradun alone, Rs 200 crore of investment is expected in 20 projects soon.

Uttaranchal was transformed into a state on November 9, 2000. Now, this state provides a lot of advantage to the investors. It covers an area of about 54483 Sq Kms. The state has population of approximately 84.809. The literacy rate is 72 per cent.

The city is beautifully surrounded with 70 per cent forest land. Uttaranchal is also home to Udyog Mitra, the state level facilitation body set up under the chairmanship of the Chief Minister and a pro-industry policy with physical and non-physical incentives. Dedicated land banks, peaceful industrial environment, strong hydro power resources and 175 species of medicinal herbs make it an attractive destination for the pharma industry.

Biotechnology has become the thrust area in the state and a high level biotechnology board is also being set up under the chairmanship of the Chief Minister. Under the biotech strategy, units coming up in this sector, including the R & D units in this field, shall be accorded industry status, apart from making the provisions made for the IT sector applicable to this sector.

Plans are also in the pipeline to develop the state as a centre of excellence in biotechnology by providing necessary education and training facilities for the creation of a large pool of multi-skilled, technically competent manpower and organizations for state of the art biotechnology research in the state. A biotechnology park will be developed near Pantnagar to integrate resources and provide amongst others, a focused institutional set up for accelerated commercial growth of biotechnology and bioinformatics.

Like their counterparts in other excise-free zones, the biggest nightmare for the investors in Uttaranchal is also the proposed move to withdraw tax exemption to the contract manufacturers except for those who manufacture under own licence.

"All are so worried about the issue and we have been taking it up with the government. The state has a bright future, if the exemption is not withdrawn. If withdrawn, huge investment made so far is going to be a waste and we are in for a great trouble. Even now, many have dropped their plans and they are waiting to see the issue cleared before pumping in crore of rupees," said the spokesman for the Chambers.