



Confederation of Indian Industry

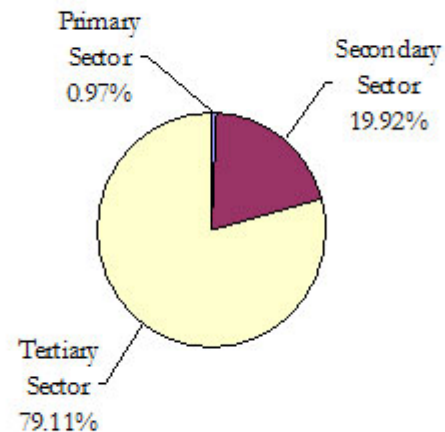
Economic Overview of Delhi

Sectoral Composition and Contribution

The analysis of sectoral growth in GSDP of Delhi at constant prices reveals that the contribution of primary sector comprising of agriculture, livestock, forestry, fishing, mining & quarrying and also the secondary sector comprising of manufacturing, electricity, gas, water supply and construction is decreasing. At the same time, the tertiary sector, also called the service sector comprising of trade, hotels and restaurants, transport, storage, communication, financing & insurance, real estate, business services, public administration, is a major contributor in the economy of Delhi and getting enhanced regularly. The contribution of primary sector which was 3.85% during 1993-94 at 1993-94 constant prices. Similarly the contribution of secondary sector recorded at 25.20% in 1993-94, has also declined to 19.92% in 2004-05. On the other hand, the contribution of tertiary sector worked out to 70.95% in 1993-94 has enhanced to 79.11% in 2004-05.

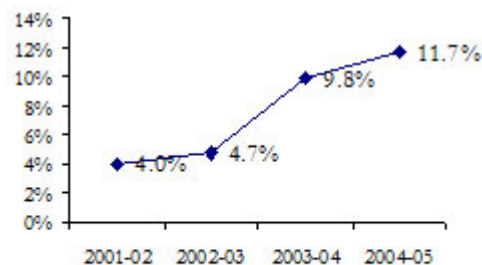
The reasons for change in the sectoral composition of Delhi economy could be attributed to the rapid urbanisation and consequential reduction in agricultural and allied activities on one hand and substantial increase in activities pertaining to the services sector on the other. At the same time, regular monitoring of environmental degradation by different government agencies on the directives of Supreme Court and subsequent closing of polluting industrial units in and around Delhi also contributed to the reduction of output in the secondary sector.

Chart 1: Sectoral Composition of GSDP, 2004-05



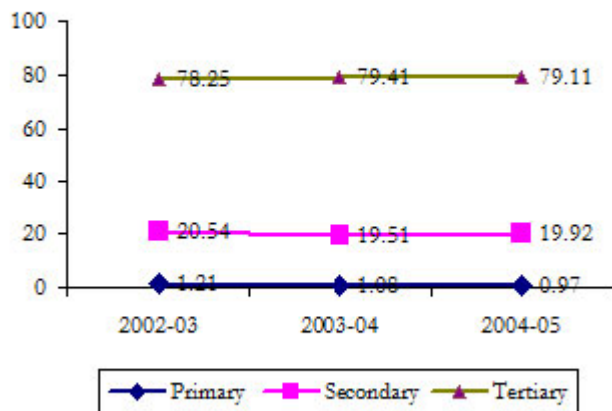
Source: Economic Survey of Delhi 2005-06

Chart 2: GSDP Growth Rate of Delhi (in 1993-94 Constant Prices)



Source: MOSPI

Chart 3: Sectoral Contribution of GSDP, 2002-03 to 2004-05 (In Percentage)



Source: Economic Survey of Delhi 2005-06

Delhi's service sector has expanded due in part to the large skilled English-speaking workforce that has attracted many multinational companies. Key service industries include information technology, telecommunications, hotels, banking, media and tourism. Delhi's manufacturing industry has also grown considerably as many consumer goods industries have established manufacturing units and headquarters in and around Delhi. Delhi's large consumer market, coupled with the easy availability of skilled labour, has also attracted foreign investment in Delhi.

Industry in Delhi

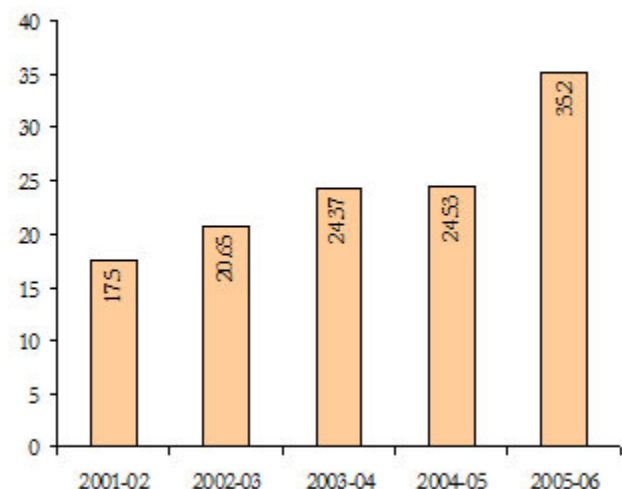
Major Sectors

Sectors with a strong presence in Delhi include retailing & leisure, tourism and IT / ITES. The state offers a significant potential for private healthcare facilities and infrastructure development through private sector participation.

Information Technology & IT Enabled Services

Delhi being the national capital is a trade hub for foreign as well as domestic organisations. The state has witnessed a phenomenal rise in the tertiary sector which contributes more than 79% to the state domestic product. IT and BPO industries are the major services offered by the state. In 2005-06, Delhi software exports were over Rs35.2 billion (this constitutes 3.5% of all India exports), posted an annual growth rate of 43% over the previous year. The software exports from the state are also growing at a CAGR of 19.1% over the last five years.

Chart 4: Software Exports from Delhi (in Rs bn)



Source: Cygnus Research

The growth of Delhi's IT and ITES sector can be attributed to the following reasons.

- Large skilled English-speaking workforce that attracts many multinational companies.
- Approximately 295,000 college/university graduates that pass out from the state
- The availability of adequate infrastructure and facilities such as prominent Internet service providers, telecom service providers and satellite communication facilities gives the sector an edge in operations.
- The rapid advancements in the field of Information, Communication and Entertainment Technologies and the resultant explosive growth of the information intensive services sector have radically changed the world economic landscape. These changes have given rise to a new society based on knowledge. This has further resulted in new avenues of development, employment, productivity, efficiency, and enhanced factors of economic growth.
- The Government of Delhi recognized the enormous potential of IT and has decided to embark upon an ambitious journey to herald the benefits of IT to the people of the state.
- Delhi would emerge as a premier cyber state in the country with its citizens qualifying to be e-citizens.

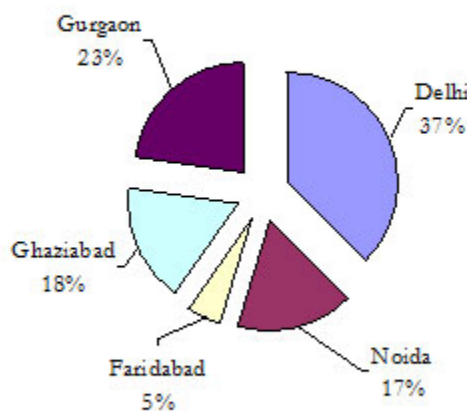
Leading Information Technology Players in Delhi

- Amity Pvt Ltd
- IT&T Limited
- Hewlett Packard
- Trifin Technologies
- Escosoft
- Damco Solutions Pvt Ltd
- Canberry
- Adobe Systems
- Cosmic Softech Ltd
- Convergys
- Electronic Enterprises Limited

Retailing and Leisure Industry

Following on the same lines of Dubai, Singapore and Hong Kong, Delhi is also emerging as the next big retail destination in Asia. Of the total earnings of Rs110 billion in 2005-06 by the government of Delhi, Rs65 billion has been achieved from the retail sector alone. It is estimated that a family in Delhi spends Rs0.21m per annum on an average, while it saves Rs50,000. It is also estimated that more than 40% of a family's spending is on food, clothes and entertainment, which provides a huge opportunity for retailing and leisure industry. Delhi is also regarded as the largest market for high-end consumer durables such as colour televisions, scooters and refrigerators and also India's largest car market. Delhi has been rated as the second most prosperous city in the country with over 25% of the country's super rich families living in Delhi. The booming retail industry in Delhi has brought about a major growth in the real estate sector of the country. As India opened its FDI to foreign investments in the retail sector, there has been a conspicuous buzz in the industry as Indian brands now have a healthy competition ahead as the international brands make their foray into the Indian markets.

Chart 5: Distribution of Mall Space - Delhi & NCR, 2006



Source: Cygnus Research

The state also has the highest concentration of households with an annual income of about US\$110,000. Delhi's per capita income is one of the highest in the North Indian states and two times that of the national average. Recently, the government extended the timings of prime shopping complexes and plazas to facilitate further development of the retail industry in the state. The

government is in the process of privatising the recently constructed cultural centre in east Delhi. Delhi has a number of well-established shopping areas and complexes and a number of large-scale retail and leisure / entertainment projects are being executed currently. Delhi is poised to have 35 malls in the next few years.

Delhi is now gearing up for the mall revolution in district centers like Mayur Vihar areas in East Delhi, Vasant Kunj area in South Delhi, Pitampura area in North-west Delhi and the Janakpuri area of West Delhi in the city. Also the adjoining cities of National Capital Region (NCR) like Gurgaon, Noida, Ghaziabad and Faridabad have revolutionized the mall option. Compared to the present statistics of 3m sq. ft of mall space available in Delhi and NCR, the next few years are expected to see an additional 17m sq. ft of retail space in the city. Retail expansion in the NCR is primarily being planned in the new malls. An estimated 75 malls would be in place by the end of 2007 and all this development is taking place due to the rising demand for real estate by the major retail brands. Recently, Reliance retail announced that it is targeting Delhi and NCR for expansion of its retail segment with an investment of Rs80 billion.

Hotel and Tourism Industry

Delhi is the one of the most sought after tourist destinations in India. Being a gateway to India as well as the capital city, it receives a large number of tourists, from abroad and from other parts of the country. Realizing this, the Delhi Government has identified tourism as one of its priority sectors. It is estimated that tourism, hotels and restaurants account for about 20% of Delhi's state domestic product.

Delhi is one of the greenest cities with the privilege of having world heritage sites like Qutub Minar and Humayun's tomb. Delhi has some of the finest museums in the country. Its boutiques and shopping arcades offer access to a wealth of traditional and contemporary crafts from all over the country. It has got world class hotels and restaurants that provide perfect hospitality to the visitors in the city. The city is full of green gardens and parks developed and maintained by the Government bodies like Delhi Tourism and Transportation Development Corporation. Delhi is not only a point of attraction for the tourists, but also a convenient transit point to other tourist attractions around such as Taj Mahal, Haridwar, Rishikesh, Badrinath & Kedarnath, Shimla, Nainital, etc.

As per the latest data available, 2.05m domestic and 1.51m foreign tourists visited Delhi in 2005. In the arrival of foreign tourists, Delhi ranks 2nd

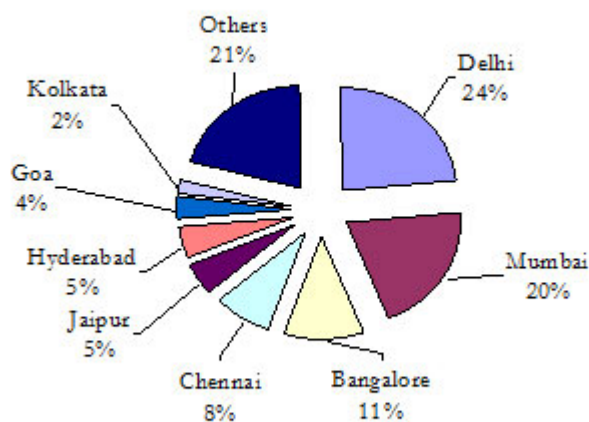
Chart 6: Tourists Arrivals to Delhi
(Tourists in mn)



Source: www.indiastat.com & Cygnus Research

in Northern India, next to Uttar Pradesh. Interestingly, the arrival of foreign tourists registered a growth rate of 80% in 2005 over the previous year. According to Visa International's latest research report entitled "Recent Trends in Spending by Visitors to India", Delhi is a leading destination for foreign travel. The report reveals that foreign tourists with international cards spend more in Delhi than in other Indian destinations. Delhi is the number one foreign destination with Rs12.7 billion or US\$288m (24% of total spend in India) recorded on visitors' Visa cards, followed by Mumbai with Rs11.3 billion or US\$256.4m (20%) (see Chart 5). For further enhancement of the industry and keeping in view the future prospects, the central and the state governments have been taking initiatives and being proactive in supporting the development of the industry. In the union budget for 2007-08, the central government has extended infrastructure status to tourism with an allocation of Rs5200m in 2007-08 compared to Rs4230m in 2006-07. The recent Union Budget 2007-08 also concentrated more on infrastructure development for tourism industry in Delhi and NCR by providing a 5 year tax holiday to the star hotels.

Chart 7: International Tourists Spending in India, 2004



Source: Visa International 2005 & Cygnus Research

The Delhi government has a separate department for tourism which is responsible for the promotion of domestic and international tourism, development of tourism related infrastructure, licensing of tour operators/ travel agents. It is also entrusted with the supervision of Delhi Tourism and Transportation Development Corporation (DTTDC).

Tourism policy for Delhi aims at the conservation of the city's rich cultural heritage and employment generation. The Tourism Department has taken up the programme in the restoration of notified monuments under which 30 monuments have already been restored and work on four monuments is likely to be completed during the current financial year. DTTDC is already working on the beautification of various existing lakes in addition to organising cultural festivals throughout the year to promote tourism. The first phase of the new campus of the Delhi Institute of Hotel Management and Catering Technology has reached the completion stage and the Institute will start functioning from this new campus shortly. The construction of the second phase of the institute is proposed to be taken up now in consultation with DTTDC. The second socio-cultural complex will be set up by DTTDC on BOT basis.

Emerging Sectors

Delhi offers several investment advantages to a number of emerging sectors such as healthcare, financial services and Biotech.

Healthcare Hub and Medical Tourism

The NCR's healthcare infrastructure is one of the best available in India. Over the years, a substantially higher level of capital expenditure on the sector has facilitated its development and Delhi has emerged as the principal centre for advanced medical care in Northern India. The number of hospital beds in Delhi increased from 23,000 in 1995 to over 40,000 in 2005 with the private sector accounting for almost 40% of the total. The private healthcare market in India is projected to grow from US\$15 billion to over US\$33 billion in the next three years. The potential for additional business from healthcare tourism is estimated to be US\$2 billion. Delhi is well placed to garner a substantial part of this potential market. The cost of medical treatment in Delhi is significantly cheaper than in the developed economies. It is estimated that many high-end treatments cost 60-70% less in India than in the United States. Participants from over 55 countries visit Delhi for treatment in various specialties. The state has

strong healthcare infrastructure and houses quality healthcare institutions and medical colleges

It also has skilled human resources. Institutes like AIIMS, Maulana Azad Medical College have state of art medical facilities with quality medical and academic professionals. Hence Delhi has tremendous potential for the development as a healthcare hub and it and a destination for health care and medical tourism.

Transport and Logistics Industry

The transport and logistics industry in India is booming with the growing Indian economy. The Indian logistics industry is estimated at US\$50,000m per annum. Approximately around 60% of the components comprise of road transport. The Indian industry roughly spends 13% of its GDP on logistics compared to a global benchmark of 10-11%. One noticeable feature of Indian logistics industry is that 85% of logistics industry is in the unorganized sector with only 12-15 players operating nationwide. Therefore it can be said that even after contributing 13% to Indian GDP, this sector is still in its infancy and is highly fragmented. Several major developments which are taking place in the logistics industry are:

- The national highway development project, the golden quadrilateral project which links the four metros, the north-south-east-west corridors and connecting roads to villages.
- Movement to VAT regime leads to outsourcing of warehousing and secondary distribution to professional third party logistics (3PL) providers, thereby benefiting the company with lower costs and inventories.
- India's involvement with the world economy through WTO as well as several FTA would force corporations to adopt modern and improved logistics strategies.

The transport and logistics industry comprises of facilities at the airport, road and rail transportation. Delhi was predominantly dependent on the road transport, with the railways catering to only about 1% of the local traffic. Being the national capital, Delhi is well connected by rail and road transport to other parts of the country. There are 350 passenger trains and 40 goods trains moving in and out every day and 8 major rail corridors in the state. Delhi has got national and international airports to cater to the needs for its air cargo facility. The Integrated Air Cargo Terminal at Delhi provides for export/import transit cargo handling facilities. The Cargo Management System here has been upgraded to a fully computerized "On Line" Integrated Cargo Management System with Electronic Data Interchange (EDI) and Bar Coding Capabilities. With the increased incomes and concentration of rich households, the consumer markets are expanding in the Delhi. The companies are only following with new distribution outlets. As such the increased competition across industry verticals is forcing firms to focus on product distribution and logistics outsourcing, which is gaining further momentum.

The Government exercises a fair control over the industry. Bodies like Delhi Traffic Corporation (DTC), Department for Transport, Indian Railways, Delhi Metro Railway Corporation and Airport Authority of India are a few, who take care of the various modes of transport in the state. Another emerging trend in the industry is the Third Party Logistics (3PL) concept. The market size of 3PL service was estimated at US\$250m in 2005. The market for 3PL services is likely to grow at a CAGR of 20.4% during the next five years, with the growth fuelled by the entry of MNCs and export focus of the Indian companies.

Financial Services Industry

- The Financial Services Industry is witnessing rapid changes across the world. Consolidation and mergers across diverse financial services firms such as banks, securities, investment management and insurance companies have brought forward new challenges and concerns. According to a PwC survey entitled "Offshoring in the Financial Services Industry", the scale of offshoring in the financial services sector is set to virtually double by 2008. According to the survey, India is currently the most popular offshoring destination on the basis of its attributes such as macroeconomic stability, flexible regulations, low costs of labour, educated and English speaking population. Its BPO market has been growing at an annual rate of 40%-50% over the past few years. Delhi offers tremendous potential in the development of financial services industry. Good infrastructure, availability of skilled English speaking manpower, already existing

strong services sector and existence of many Corporate Headquarters make Delhi an ideal city to capitalise on the growing opportunities in the financial sector.

Major Industrial Areas and Parks in Delhi

Naraina Industrial Area

Naraina Industrial Area is located in the Northern part of Delhi, which is set up by the Delhi Development Authority (DDA) in 1970. Naraina Industrial Area occupies a place of pride among the industrial estates in Delhi. The industrial area is divided into two phases viz Phase I and Phase II and houses approximately 1,200 industrial units which manufacture electronic and electrical goods, engineering goods, plastic goods, ready-made garments, sanitary fittings etc.

Okhla Industrial Area

Okhla Industrial Area is located in the Southern part of Delhi and is a hub of major industrial activities. Many export houses are located in the area along with some of the multinationals.

Kirtinagar & Mangolpuri Industrial Areas

The Delhi State Industrial Development Corporation has played a crucial role in developing the Kirtinagar Industrial Area and Mangolpuri Industrial Area, which are located in western part of Delhi.

Shastri Park

Keeping in view the growth of the information technology industry, necessary infrastructure has been provided for establishing software technology parks, IT institutions in the state. Delhi's first information technology park is being set up at Shastri Park at a cost of US\$39m on 6 hectares of land and was inaugurated on April 2, 2005. The state government is also planning to establish a science park in Delhi which will focus on the frontier areas of technology including information technology, microelectronics, biotechnology and precision engineering.

Infrastructural Facilities

Power Scenario

While demand has been growing rapidly in the State, capacity addition has remained relatively stagnant. The net cost of generating power from Delhi's own plants is high due to low capacity utilisation and high fuel consumption by the plants. Delhi's own generation installed capacity is 994.5 Megawatt (MW) but its availability is only around 750 MW. Nearly 40% of Delhi's power needs are met by its own plants and BTPS with the remaining 60% being imported from NTPC and other sources. Delhi's energy requirement has been growing at about 7- 8% per annum. In 2003-04 the demand was 3,347 MW as against the supply of 3,093 MW. Now the demand has reached 3,627 MW in May 2006 and is expected to touch 3,900 MW in the near future. It is also estimated that by 2010, Delhi need 6,000 MW of power. To bridge the present and future power demand supply gap Delhi is planning for setting up a 421 MW Bawana Power Plant (Phase- I), Bawana Power Plant (Phase-II), Pragati Combined Cycle Project (gas based) and 300 MW coal-based project at Narela.

Ports

Sea Ports

Since the capital is not surrounded by any sea there are no sea ports near Delhi.

Airports

The state is well connected by air services and has adequate number of Flights to all parts of the world and country. Domestic as well as international airports are available in Delhi with latest infrastructure and facilities. Since the country is on the verge of aviation industry revolution and with the entry of many players in the industry, the state government planning is for infrastructure improvements. Airports are being upgraded and their carrying capacity is being enhanced so that they can handle the forthcoming traffic and load. The Indira Gandhi International Airport Terminal I is used for domestic flights, where as Terminal II serves as an important International airport, linking the different parts of the world. Large number of international air companies and Air India use this airport.

Road Network

The road network in Delhi is being developed and maintained by NHAI, PWD, MCD, NDMC, Delhi Cantonment Board and DDA. The road network in Delhi was 28,508 km (including 388 kms of national highways with PWD excluding the highways of NHAI).

Table 3: Road Network	
Type of Road	Road length in km
1. National Highways	388
2. State Highways	--
3. Major District Roads	1,792
4. Other District Roads	144
5. Municipal Road	26,184
6. Other Roads	--
Total	28,508
Source: Planning Department, Govt. Delhi	

Delhi has the distinction of having 5 National Highways passing through its territory. These are NH-1, NH-2, NH-8, NH-10 and NH-24 which connect the national capital with the rest of the country. These highways contribute significantly to the character of Delhi; a major trading and distribution centre. Taj Express Highway is one project which is connecting Agra (U.P.) to the capital and Toll bridge connects the capital with Noida (U.P.) which is one of the trade hubs in the country. Delhi is also well connected through ring roads, 5 national highways, and major peripheral express ways. The State is coming up with an eight lane Gurgaon express way which will enhance its connectivity further.

Railways

Delhi is a major junction on the rail map of India linking it to all the major metropolitan cities directly. There are four main railway stations namely New Delhi, Old Delhi, Hazrat Nizamuddin and Sarai Rohila, besides Container Depots at Patparganj and Tuglakabad. There are 8 rail corridors in the national capital territory, which bring in more than 350 passenger trains and 40 goods trains every day. Delhi has to its credit the development of a Mass Rapid Transit System (MRTS), which is an ambitious project that provides non-polluting and efficient rail-based mass transport system to the state. MRTS Project is in its second phase of progress and is expected to be completed by 2010. The total length of railway network built in the first phase, till now is around 56 km. Delhi Metro Railway Corporation is the nodal body which has improved the transport facility in the capital to a great extent by reducing congestion problems. The regional service has also been strengthened by installing dedicated railway corridors being the national capital, Delhi is well equipped with railway facility, important trains and major railway network converges at this juncture which makes it well connected to the other parts of the country.

Delhi Metro

Delhi Mass Rapid Transit System (MRTS) or Delhi Metro is a rapid transit system in New Delhi operated by the Delhi Metro Rail Corporation Limited. Delhi Metro has achieved the ISO 14001 certification for environment management since the beginning of construction. The entire construction is accredited to be cost saving and without time overruns. Delhi Metro currently covers 56 km of the city with 50 underground and elevated stations on three separate lines. The Metro was conceived to reduce congestion and facilitate rapid transit. Phase-I of the project was completed in 2004 at a cost of US\$2 billion and today proudly serves more than 0.3m passengers every day. The unique feature of the Delhi Metro is its integration with other modes of public transport, enabling commuters to conveniently interchange from one mode to another. Delhi Metro is a trendsetter for such systems in other cities of the country and in the South Asian region.

Human Resource

- Another key strength of Delhi is its skilled manpower base. The State offers skilled manpower in a wide variety of fields. Presence of a large number of well established educational institutes

and universities gives the State a continuous flow of knowledge professionals. The literacy rate of the State is 81.82% which is higher than the national literacy rate and thus provides a pool of educated manpower readily available to industry.

- The other source of manpower is migrants from other states. A study by the Planning Department in 1998 revealed that about 42% of the persons registered with Employment Exchanges in Delhi were from the neighbouring states.

Number of Technical Institutes, University and Colleges

Table 4: Number of Technical Institutes, Universities and Colleges in Delhi	
Number of Engineering Colleges	14
Annual - Intake	3310
Number of Polytechnics	1
Annual - Intake	N/A
Number of Industrial Training Institutions	65
Annual -Intake	8,835
Number of Diploma institutes	21
Annual -Intake	4,146
Universities	16
Medical Colleges	5
Degree Colleges	144
Homeopathy Colleges	2
Ayurvedic and Unani colleges	1
Nursing Colleges	1