

Sector:

Forest, Environment and Herbal

Project Title:

Processing Plant for Wild Medicinal and Aromatic Plants

Project Description

Associated side effects and high cost of allopathic medicines are key reasons, herbal medications are being increasingly preferred over their synthetic counterpart. Around the world herbal industry is growing faster than the traditional pharmaceutical industry. India has a thriving herbal industry and there is a high potential for Indian herbal medicines and Ayurvedic formulations in the international market.

Madhya Pradesh (MP) is the forest capital of India with a rich base of Medicinal and Aromatic plants (MAPs) and wild flora with potential medicinal properties. To leverage the State's inherent treasure, the Government of Madhya Pradesh proposes to establish a high-end herbal processing plant. Equipped with State-of-the-art facilities, it would employ modern processing technology for collection, drying, extraction, formulation, preservation and storage of the herbs and other active principals from MAPs.

The plant would be set up on 2 acres of land and apart from the basic processing of raw herbs would have following specialized functional units:

1. Extraction unit for Neem and other non-volatile oils
2. Aloe Vera gel and powder unit
3. Volatile oil extraction unit
4. Herbal extraction plant

The facility would be a cGMP (current Good Manufacturing Practices) compliant processing unit. The quality control laboratory of the plant would facilitate standardization of active ingredients and formulations and would monitor their compliance with stringent international quality, efficacy and potency standards imperative for exports.

The key Target Markets would be:

1. Domestic herbal formulation industry
2. Herbal cosmetics industry
3. Exports

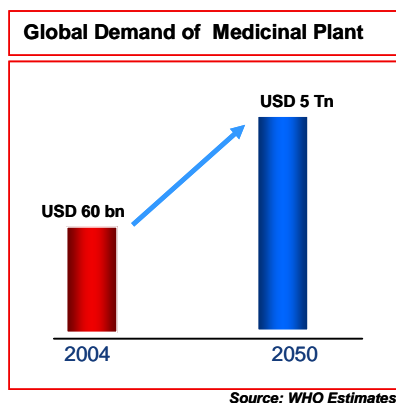
Project Rationale

The inherent herbal treasure of Madhya Pradesh provides ample opportunities to position it as key herbal processing center of the Country. Presently the herbal traders in the State are primarily engaged in cultivation and collection of raw herbs and supply them as raw material to the herbal formulation units across the Country.

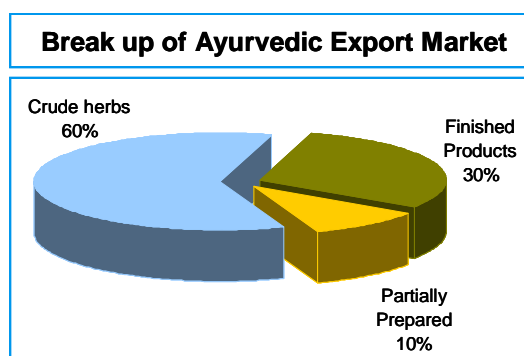
A modern processing plant with State-of-the-art analytical, standardization and quality control functions would enable processing of raw herbs into value added products and formulations and would assist the State in realizing high value margins in the domestic and international market.

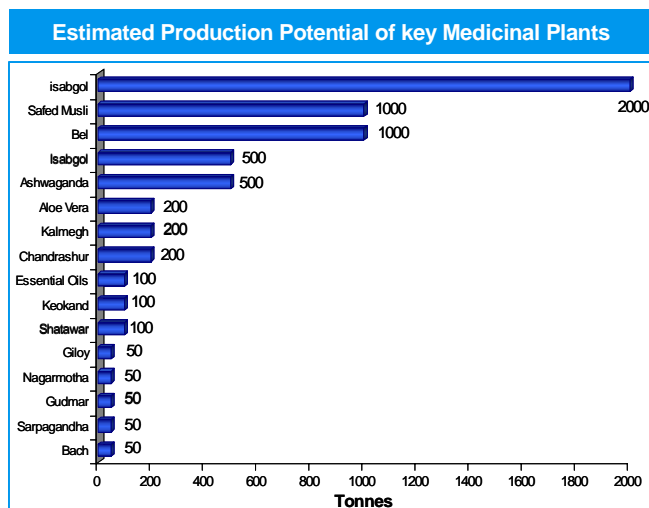
Market Potential and Demand Dynamics

As per the World Health Organization (WHO) estimates 80% of the world population depends on herbal medicine for their primary healthcare needs. In 2004 the global trade in herbal medicine was estimated around USD 60bn increasing with an annual growth rate of 15%. The industry is expected to attain a value of USD 5 trillion by 2050. The demand for herbal medicine is especially high in European Union (EU) and United States (US). These two markets are the key driver of global herbal trade.



Presently, India contributes less than 1% to the global herbal market however it is fast emerging as a key supplier of medicinal plants across the globe. The present value of the entire ayurvedic production in India is estimated around USD 1 bn while annual exports are pegged at USD 100 mn. Of the total exports 60% is crude herbs, 30% is finished product shipped abroad for direct sales to consumers, and the remaining 10% is partially prepared products to be finished in the foreign countries. Apart from the traditional herbal formulations, cosmetics and nutraceuticals are two upcoming opportunity segments which are expected to be the future growth drivers of the herbal industry.





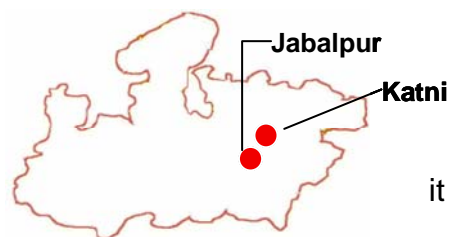
MP is the natural habitat for over 50% of the herbs used in the pharmaceutical industry and is the key source of raw material to the domestic herbal industry. The production of MAP's in the State in 2004-05 was 20,000 tonnes and is estimated to rise to 40,000 tonnes by the year 2009. The State share in the national production of MAPs was 6.25% in 2004-05 and is expected to rise to 8.63% by 2009.

Why Madhya Pradesh?

- With 11 Agro-climatic zones out of the total 16 in the Country, MP is well suited for cultivation of a large number of Medicinal and Aromatic plants (MAPs).
- With nearly 31% area of the State under forest cover MP provides an excellent habitat for wild herbs and MAPs.
- Madhya Pradesh has more than 300 species of wild MAPs. Further the State forests has ample biodiversity of wild plants whose medicinal potential is yet to be established and thus provides excellent research resource for the herbal industry.
- The key herbal collection center of the State are situated at Shivpuri, Betul, Katni, Neemuch and Lalitpur. Together, along with Dhamtari (Chhattisgarh) these collection centers meet nearly 40% demand of the entire domestic herbal industry.
- Ample availability of land for the cultivation of various herbs and already the mass cultivation of a number of species has been started in the State.
- Herbal industry is labour intensive in nature and MP has ample availability of economic manpower.
- The strategic central location of the State facilitates cost effective logistics and distribution function. The proximity of the State with key ports enables exports of raw goods and finished product across the globe.

Location Analysis

Jabalpur and Katni has been proposed as potential location for establishing the herbal processing Plant. Since most of the large herbal traders are located in and around Jabalpur and Katni is one of the key herbal collection centers, would be an ideal location for the envisaged project.



Government Support

The Government of MP extends various concessions and facilities to herbal industry and has formulated a special incentive package to promote investment in the sector which is as follows.

- Reimbursement of 50% of the total fees incurred on hiring technical consultancy for getting GMP certification. With an upper limit of USD 22,000 per project.
- For participation in the international trade fairs and exhibitions, entrepreneurs of herbal industries will be given financial assistance of 50% on one half of the stall charges.
- Registration fees charged by the importing countries for import of herbal products will be reimbursed up to a maximum of USD 1100 and air fare to a maximum of USD 1100.
- All concessions and facilities that are available to industrial units in the backward districts will also be extended to units located in the developed and advanced district such as Indore and Bhopal.
- Relevant provisions of labour laws applicable in Special Economic Zones will be applicable for existing and upcoming herbal parks as well as the herbal and Ayurvedic industries.
- Stamp duty waiver for herbal and ayurvedic industries in case of change in name, collaboration, inclusion of partners, reorganizations and for amendment in the lease deed for the next 3 years and also for entering into agreement with financial institutions for getting financial assistance.
- Small scale pharmaceutical industries will be given priority under store purchase rules.
- Fast track clearances for setting up pharmaceutical and herbal industries.

Proposed Capacity and Equipment Cost

Unit	Capacity	Cost (USD)	Cost (INR)
Extraction unit for Neem and other non-volatile oils	50 Kgs/day	22,000	10 lac
Aloe Vera gel and powder unit	50 Kgs/day	0.11mn	50 lac
Volatile oil extraction unit	50 Kgs/day	0.17 mn	80 lac
Herbal extraction plant	2000 Kgs/day	0.17 mn	80 lac

Proposed Investment

5.5 crores or USD 1.2 mn

Returns

Internal Rate of return are estimated around 20-25%

Coordinating Agency

Madhya Pradesh Minor forest Products Corporation