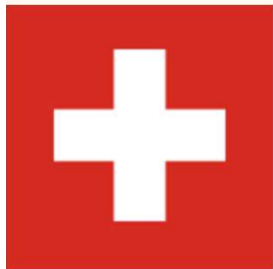


Take home happiness as an additional dividend of your business...



BUSINESS OPPORTUNITIES IN **BHUTAN**



September 26, 2018

BHUTAN FACTS

Area

• 38,394 km²

Population

• 0.78 million

GDP

• \$ 2.30 billion

GDP per capita

• \$ 2,879.07

GDP growth

• 7.99%

BHUTAN Your new investment destination in Asia



- ❖ Strategically located in a region home to 26% of global population
- ❖ Serves as an excellent gateway to Indian market of 1.27 billion with whom the country has FTA and DTAA signed

Why **INVEST** in



BHUTAN

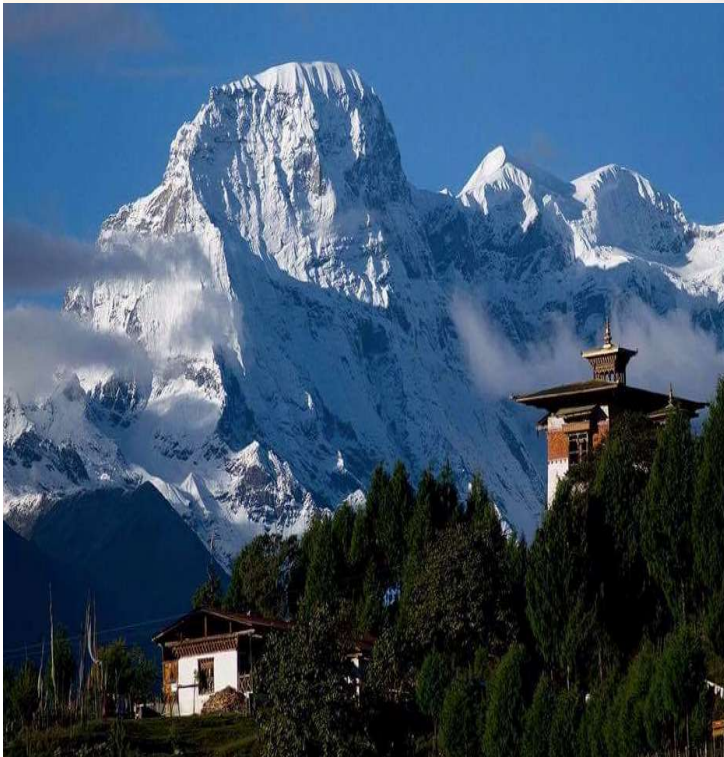
Why **INVEST** in **BHUTAN** ?

- ❖ Peace & Happiness (GPI: Ranked 1st in South Asia & 13th out of 163)
- ❖ Safety (Safest country in South Asia as per Travel & Tourism Competitiveness Report 2017)
- ❖ Low Level of Crime and Corruption (Ranked 1st in South Asia & 4th in Asia)
- ❖ Free Health and Education reduces cost of doing business



- ❖ Access to an educated work force with youth(15- 24) literacy rate of 93 percent and English as the medium of education

- ❖ Best in terms of doing business in South Asia: Ease of Doing Business-Ranked 1st in South Asia
- ❖ Clean & Competitively priced energy



Cost of Doing Business

The costs of land and utilities are nominal and comparatively cheap as compared to the costs in the region:



- In major commercial hubs: CHF 15/m²
- At industrial estates: CHF 0.06/sq. ft. per year

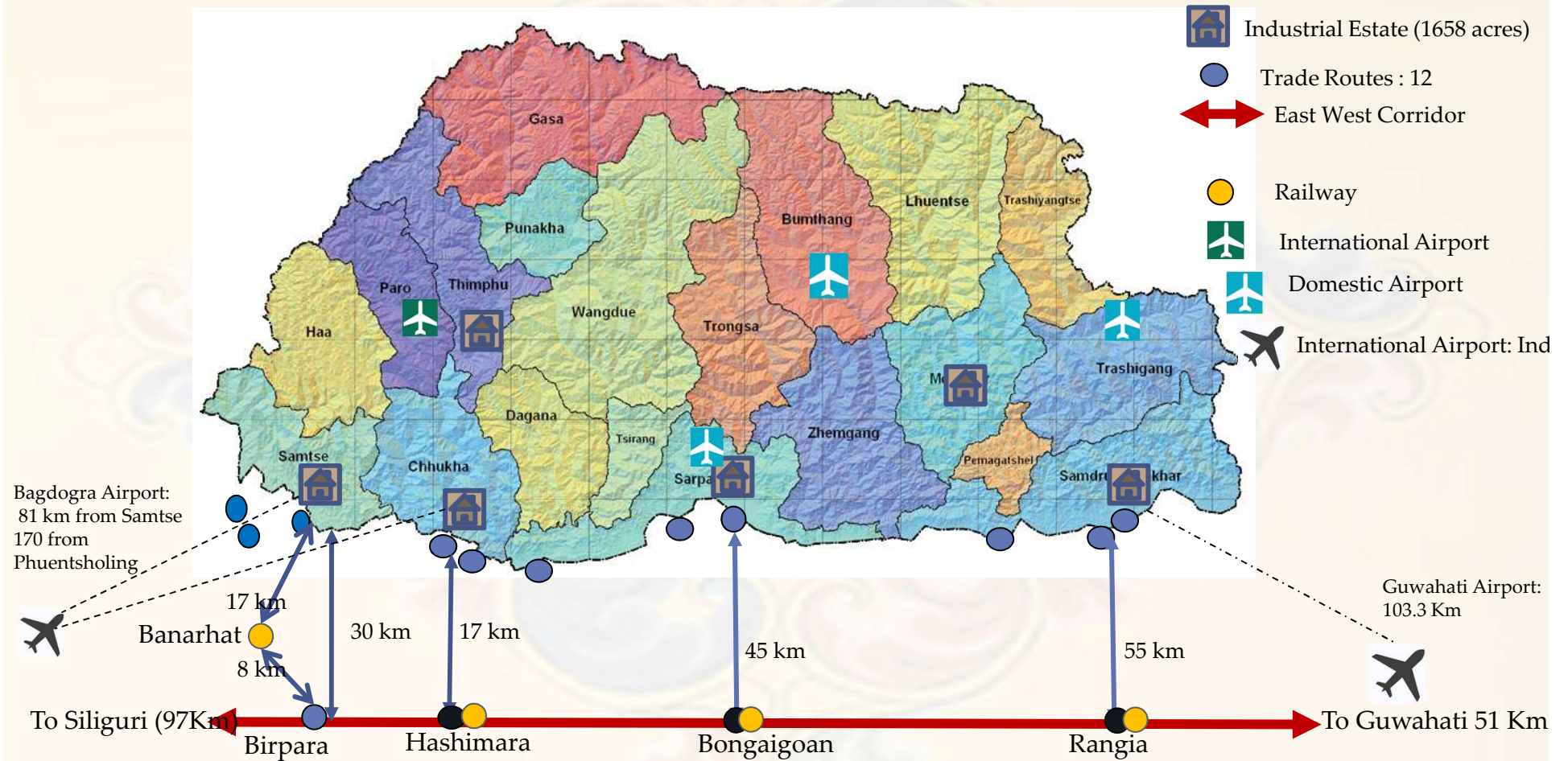


- CHF 0.03/Kwh



- CHF 0.10/m³

Infrastructure & Connectivity



Access to Sea



- Trade Route
- Port
- ★ Inland water ways

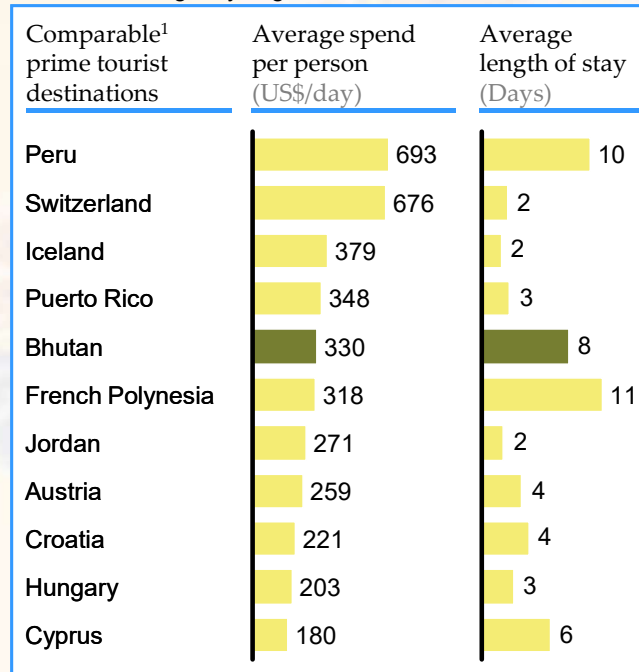
Business Opportunities

1. Tourism: Hotels & other related services

- ❖ Booming tourism industry with average growth rate of 20 % in arrival of high end tourist over last 5 years.
- ❖ Earned nomination among the hottest international destination being nominated for eg. By Lonely Planet, National Geographic Travel etc
- ❖ Designated as one of the top ten Biodiversity hotspots in the world
- ❖ Gross tourism receipt from international leisure segment amounted to US\$ 80 million in 2017.


Bhutan is an exclusive, long-stay tourist destination

Bhutan is a long stay, high value tourist destination



Commitment to sustainable tourism

Key features	Description
Price floor	International tourists required to pay <u>minimum</u> US\$ 250/200 per day per person (all inclusive for boarding, lodging, guides, SDF, etc.)
Low tourist intensity index ²	Bhutan's ratio of tourists/population is at 0.04 – among the lowest in its peer group
Sustainability	Bhutan's tourism policy and regulations promote the preservation of culture and nature



¹ Destinations selected are among the club of all nations where tourists on average spend more than US\$ 200 per day. Select destinations – with similar proposition/appeal – shown here

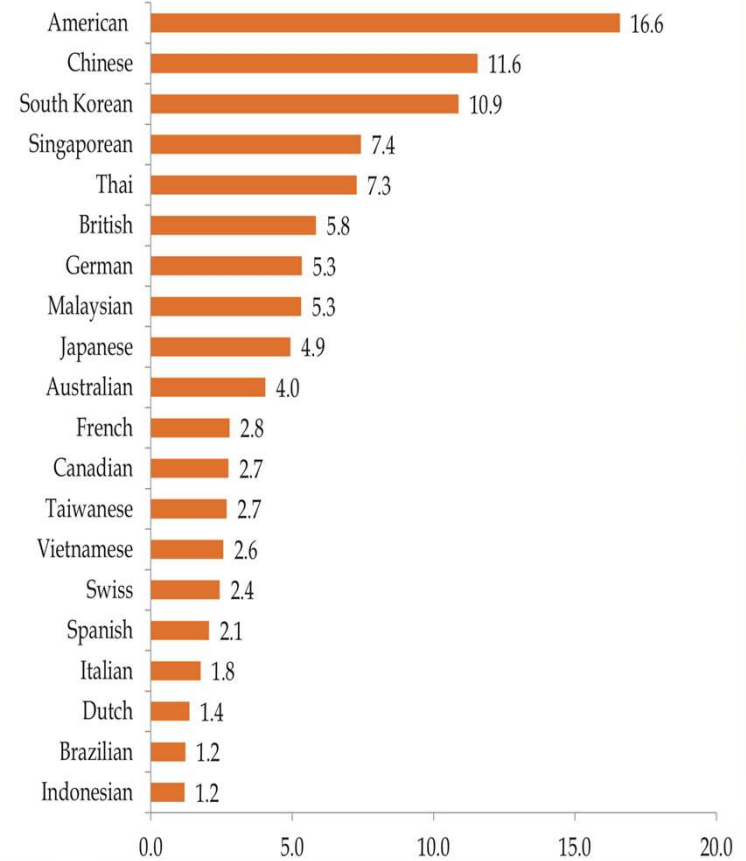
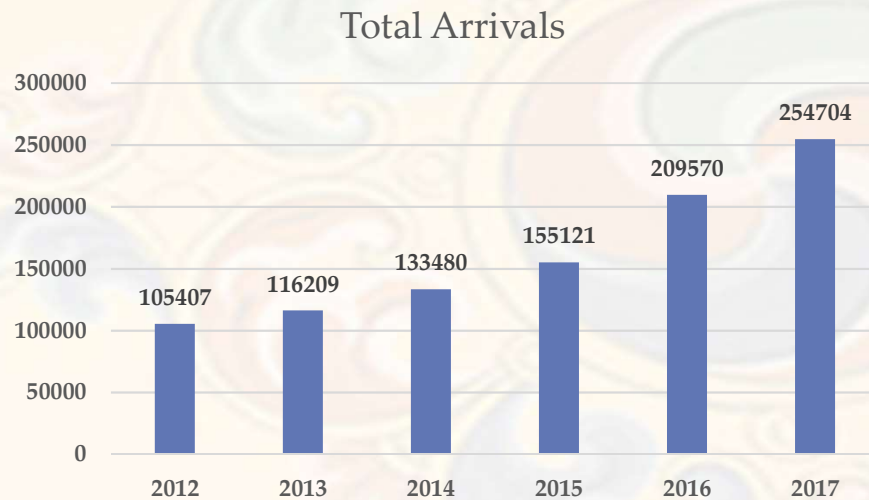
² Tourist intensity index is defined as total annual inward international tourist population divided by the total population of the country

SOURCE: World Tourism Council database, Tourism Council of Bhutan records

Significant growth trajectory in tourist arrivals

International arrivals have seen a 20% year on year growth

Total international tourist arrivals
of arrivals into Bhutan



SOURCE: TCB

21.5% growth in arrivals
in 2017 compared to 2016

Business Opportunities

- ❖ Opportunity exist in Eastern & Southern Circuit
- ❖ Income tax holiday of 10 years and other incentives provided
- ❖ Growing market has attracted international players such as Aman Resorts (5 properties), Como (2 properties), Taj (1), Six Senses (5), Le Meridian (2), Dusit Thani (1) etc
- ❖ Opportunities also exist in building the capacity of professionals for this growing sector

Business Opportunities

2. IT/ITES: Data Centers, software development, BPOs etc

- ❖ Foreign ownership allowed upto 100 %
- ❖ Inexpensive and uninterrupted green power supply
- ❖ Comparative telecom pricing(subsidized rate)
- ❖ Low unit labour cost & English Speaking workforce
- ❖ Income Tax holiday of 5 years
- ❖ Income tax exemption of 10 years on convertible currency earnings and other incentives available



Business Opportunities

- ❖ Space available at IT Park with facilitation and support provided.
- ❖ IT Park offers:
 - Redundancy in mains and back-up power
 - High-capacity dual feed internet connectivity through redundant optical fibre connectivity (cost to be at par with India).
 - Has Incubation Centre, in house server, conference hall etc, all of which reduces the cost of setting up business and makes it easier to start
 - lease rate: CHF 0.34 per sq.ft/month

Business Opportunities

3. Agri Business and Organic Farming

- ❖ Agriculture is identified as one of the five economic jewels
- ❖ Sector contributed 16.52 % of GDP and employs over 58 percent of the workforce
- ❖ Opportunity to grow & process wide range of produce due to climatic zone ranging from 100 M to 7500 M above sea level
- ❖ Prospect for organic produce owing to the traditional and sustainable farming in practice
- ❖ Leverage Brand Bhutan



Business Opportunities

- ❖ Huge import of food shows significant demand:

Vegetables & Fruits	CHF 51.6 million
Prepared food stuffs	CHF 40.4 million
Cereals	CHF 30 million
Cheese	CHF 7.3 million

- ❖ Exported vegetables worth CHF 7.3 million in 2017 and CHF 8.5 million in 2016.
- ❖ Opportunity for growing under controlled temperature and for value addition of produces which are mostly exported in raw form during summer.

Cost of Production

- ❖ Access to cheap skilled and unskilled labor from India, providing a considerable cost advantage in labor-intensive production.
- ❖ About 300 acres of land available in the Industrial Estates for setting up agro based plant (CHF 0.06 per sq ft per annum)
- ❖ State Reserved Forest land will be made available on lease at nominal rate (CHF 0.001 per sq ft per annum)
- ❖ Income tax holiday of 10 years along with other fiscal incentives

Business Opportunities



- ❖ Opportunities available in the following:
 - High value, low volume products like mushroom, incense, essential oil etc
 - Processing of cash crop such as cardamom, ginger, potatoes
 - Growing of health food such as quinoa, high value fruits such as kiwi, berries, dragon fruit etc
 - Nut production and processing (walnut, pecan, almond)
 - Value addition & marketing of livestock products

Business Opportunities

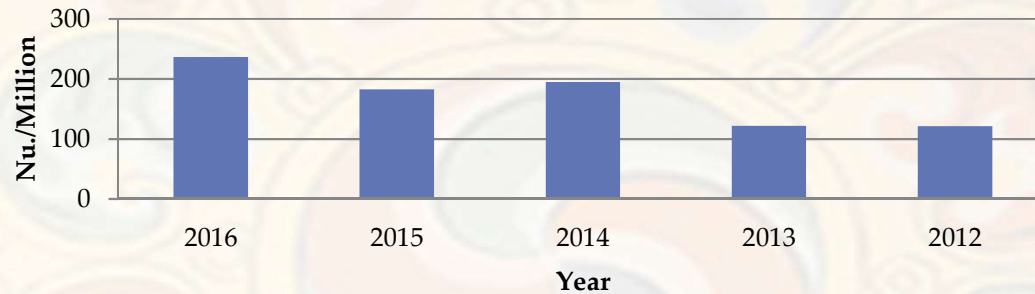
4. Bottled Drinking Water

- ❖ Abundant perennial water resource (largely spring water)
- ❖ Good quality due to right amount of minerals & excellent taste
- ❖ Is identified as one potential export commodities
- ❖ Can leverage the Himalayan brand equity & country brand as the only carbon negative country
- ❖ EDP 2016: “Support shall be provided to market the bottle drinking water in the region and global markets through the development of Brand Bhutan”

Export & Market



Export of bottled water



❖ Exports grew by 30 % in 2016 with a revenue of US \$ 3.5 million from US \$ 2.67 million in 2015

❖ Approximately 1 % of the Indian Market

Export Markets





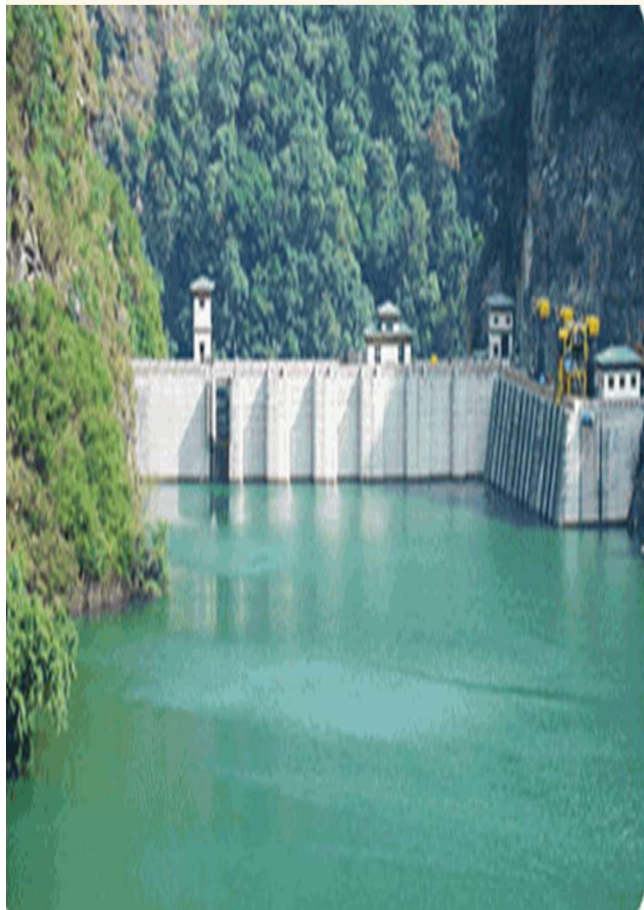
- ❖ Market in Asia expected to grow annually by 10.9 % (CAGR 2018-2021) from a revenue of US\$75,232m in 2018 (Statista Portal).
- ❖ Market in India alone is projected at US\$ 2670 million in 2018

Business Opportunities

5. Power Intensive industries

- ❖ Reliable, clean and competitively priced energy available
- ❖ Price of energy is cheapest in the region
- ❖ Opportunities for value addition to minerals like quartzite, dolomite, gypsum, limestone, talc etc which are widespread in Bhutan
- ❖ CHF 14.2 million worth of Dolomite, CHF 7.2 million of gypsum & CHF 4.8 million of limestone exported during 2017.

Power Generation & Supply

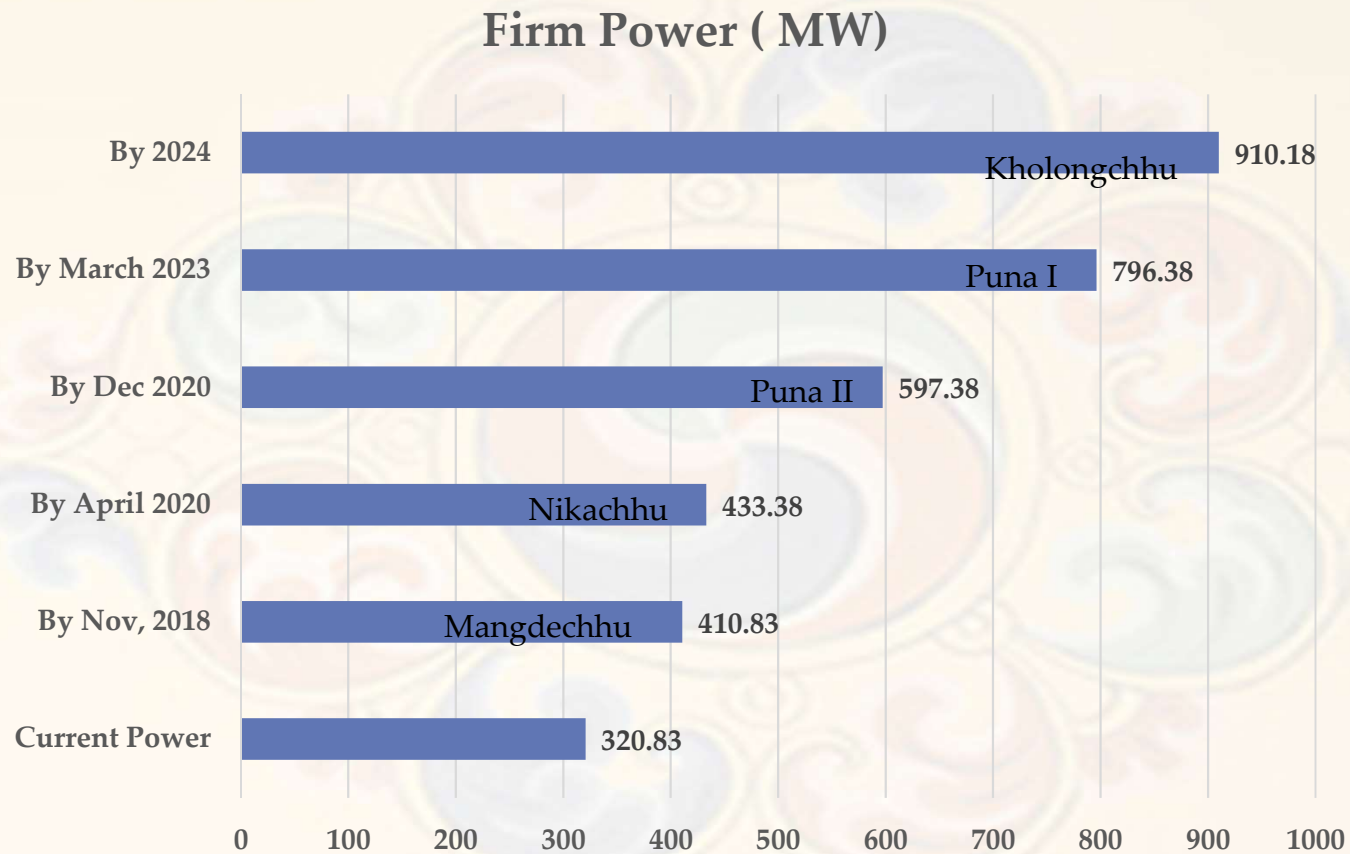


- ❖ Total potential – 30,000 MW
- ❖ Total harnessed (2017) – 1,606 MW
- ❖ Firm Power – 320.83 MW

Upcoming projects:

- ❖ Installed capacity – 3,658 MW
- ❖ Additional Firm power – 589.35 MW
- ❖ Total firm power: **910.18 MW**

Timeline of firm power availability



Business Opportunities

6. Wood Industry & Forest Based Industry

- ❖ 71 % of land is under forest coverage offering huge potential for business
- ❖ Opportunities exist in activities such as paper industry, essential and wood oils from pine-needle, agar, cedar etc
- ❖ Wood industry is one of the oldest comprising mainly of sawmills, furniture houses and board & particles units. Opportunity exist in upgrading this industry particularly in terms of introducing latest technology.
- ❖ Annual timber production about 1.6 to 1.8 million CFT over the last three years by NRDCL (1.662 million in 2017).
- ❖ Supply of sawn timber (0.177 million CFT) & Log timber (1.282 million CFT).

Business Opportunities

Wood Industry

- ❖ Investment is encouraged in joinery components and boards, furniture etc
- ❖ Huge import of wooden furniture worth close to 1 million CHF
- ❖ Integrated wood industries shall be eligible for tax holiday of 10 years.

Business Opportunities

7. Construction, Building Materials & infrastructure

- ❖ Construction sector constituted about 16.28 % of the country's GDP
- ❖ Huge demand for construction services both from private and public sector.
- ❖ Opportunities exist in construction services (setting up of construction companies), building materials such as energy efficient building materials, in designing, construction and operation of large scale infrastructure such as tunnel, recreational facilities, cold storage etc.
- ❖ Infrastructure projects can be taken up on PPP Model with 100 % ownership.

What investors say about Bhutan

- ...private-sector representatives are **positive about the business environment** in Bhutan.

...managers and investors consistently cited the **Government's open, flexible, and forthcoming** approach throughout all phases of the business establishment process and day-to-day operation.

...private-sector representatives consistently cited the **high political stability and absence of crime as significant advantages** for investing in Bhutan.

iGuide (UNCTAD)

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