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The India Brand Equity Foundation is a public-private partnership between the Ministry of Commerce & Industry, Government of India and the Confederation of Indian Industry. The Foundation's primary objective is to build positive economic perceptions of India globally.

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INDIAN STATES
Economy and Business

Karnataka



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INDIA BRAND EQUITY FOUNDATION
c/o Confederation of Indian Industry



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Executive Summary

Karnataka is India's eighth-largest state, both in terms of area and population. Situated on the west coast of India, it is surrounded by Maharashtra, Goa, Andhra Pradesh, Tamil Nadu and Kerala and opens out to the Arabian Sea. The state is endowed with rich natural resources. It is best known as India's IT powerhouse or the Silicon State of India.

Karnataka is among the leaders in economic growth in the country. Employment and per capita income levels are high and almost the entire population has access to education and health facilities.

Although agriculture is the mainstay of the population, the services and industrial sectors have shown significant growth attracting major companies from all over the world. Today, the services sector contributes the maximum to the state's income.

Karnataka's capital city, Bangalore, is known as the 'IT Capital of India' and is the fourth largest technology hub in the world. In 2003-04, Karnataka's Information Technology (IT) sector contributed 36 per cent to the country's total software exports. Karnataka's software and BPO exports touched US\$ 4 billion in 2003-04, a 46 per cent jump over US\$ 2.6 billion in 2002-03.

Karnataka possesses a vast pool of IT professionals and some of the country's best academic and premier research institutions. The state is a preferred hub for R&D with several multinational and domestic companies. It has over 100 R&D organisations. Karnataka also has the highest number of biotech companies in the country.

Karnataka's investment in infrastructure is the highest among all the states in the country and several mega projects are underway to upgrade its existing infrastructure to world-class standards. The state was first in India to set-up a Software Technology Park (STP) as early as 1991. Today, it has the country's best telecommunications infrastructure ensuring high bandwidth connectivity to global destinations.

Karnataka is focused on improving its investment climate. It has been proactive in inviting the private sector and was among the first to invite private investment in the education sector. With its encouraging policies and favourable environment, the state has attracted investors and has seen a steady increase in Foreign Direct Investment (FDI) inflow in recent years.

An Economic Snapshot

Capital	Bangalore
Area (sq km)	191,791
Population (Census 2001, million)	52.7
Literacy Rate (%)	67
NSDP (US\$ billion)	25.93
Per Capita Income (US\$)	390
Exports (US\$ billion)	9.3
National Highways Length (km)	3,728
International Port	Mangalore
International Airport	Bangalore
Domestic Airports	Hubli, Mangalore, Belgaum
Key Industries	Information Technology Electronics Biotechnology Tourism Apparels Automotives Engineering Aeronautics Mineral-based Agro-based Leather



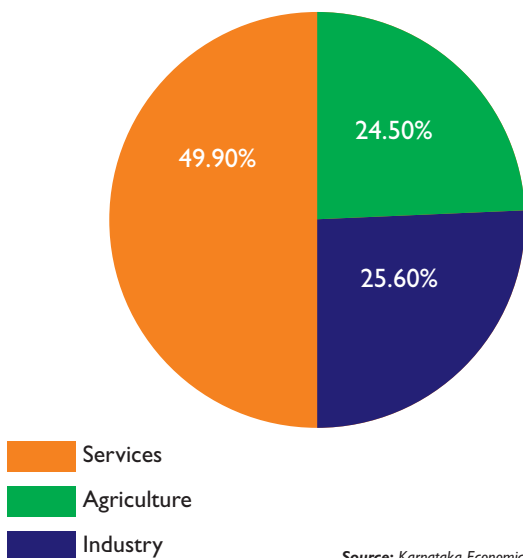
Advantage Karnataka

- India's largest producer of gold (90 per cent of India's production) and the sole producer of feldspar
- One of the leading producers of limestone and iron-ore in the country (producing 30 million tonnes per annum)
- Accounts for 70 per cent of the total coffee production in the country
- Highest share in IT exports from the country
- Highest number of biotech companies in the country

THE STATE ECONOMY

Karnataka's Net State Domestic Product (NSDP) stood at about US\$ 25.93 billion during 2004-05. Between 1993-94 to 2000-01, the state emerged as the leader in the country registering an economic growth of 8.1 per cent. In 2003-04, the GSDP grew at a rate of 6.2 per cent. The state's per capita income stood at US\$ 390 in 2003-04. It has outperformed all other states in the growth of per capita income, which stood at 5 per cent in 2003-04 as against the national average of 4.3 per cent.

Sectoral Contribution to GDP



Source: Karnataka Economic Survey 2003-04

The agriculture sector is the mainstay for 70 per cent of Karnataka's population. Horticulture is the largest contributor to the state's income in the agriculture sector. Horticulture covers an area of 1.58 million hectares in the state and has a production of 107 million tonnes (2003-04).

Karnataka is one of India's leading states in industrial development and the sector contributes 25.6 per cent to its GDP. So far it has attracted manufacturing investment worth US\$ 6,813 million from several national and international players and has about 1,068 units of large and medium enterprises. Industries that have set-up facilities in the state include engineering, chemicals, electrical, electronic goods, food processing and processing of plantation products like tea, coffee, rubber, cashew etc.

The state is also a front-runner in the services sector, which contributes the maximum to the state income. Karnataka's software exports, which stood at US\$ 3.85 billion, accounted for 36 per cent of the country's total software exports. The growth of new companies has spurred the rise of employment levels in the state, particularly in the software industry, which attracts skilled IT professionals from various corners of the country. Karnataka has the highest employment rate in the urban sector among all other states. Its workforce as a proportion of the total population stood at 45 per cent (Census 2001).



INFRASTRUCTURE

The Government is making sustained efforts to improve the infrastructure in the state. Karnataka's investment in infrastructure at US\$ 15.73 billion is the highest among all states in the country and the state has invited private investment in various sectors to ensure the availability of ready-to-use facilities for the industry.

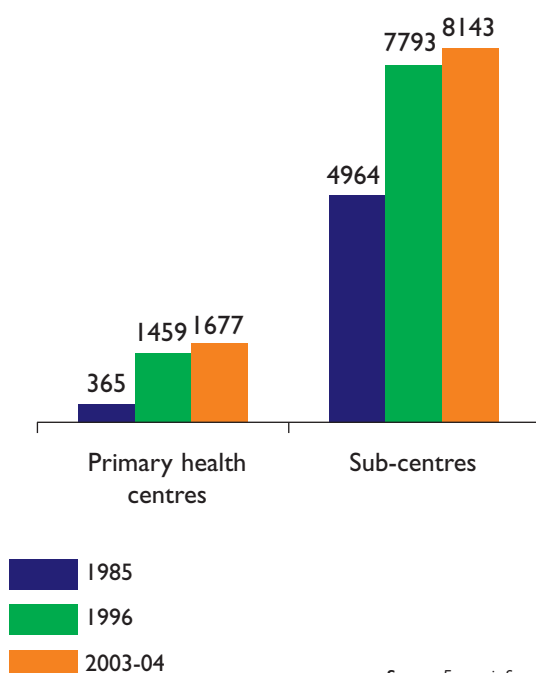
Social infrastructure

Education

The literacy rate in the state stood at 67 per cent in 2003-04. Karnataka is known for its technology and R&D based institutions. It is estimated that 10 per cent of graduates in India are from Karnataka.

The state has actively encouraged private participation in this sector. It has 134 engineering colleges and 133 medical colleges, a majority of which belong to the private sector.

Growth in number of health centres



Source: Economic Survey of Karnataka

Health

The health infrastructure in the state has progressed over the years and has helped improve the well-being of the people. The life expectancy in Karnataka is 66 years, well above the national average of 62 years.

Access infrastructure

Karnataka has 154,208 km of roads of which 65 per cent are surfaced. It has 3,728 km of national highways. The rail network in the state is spread over 3,192 km. In December 2004, around 227 road projects entailing a total investment of US\$ 2,610 million were under various stages of implementation. The US\$ 478.7 million Bangalore-Mysore Corridor Expressway is the largest on-going project in this sector. The state also intends to set up a metro rail project in Bangalore at a cost of US\$ 844.7 million.

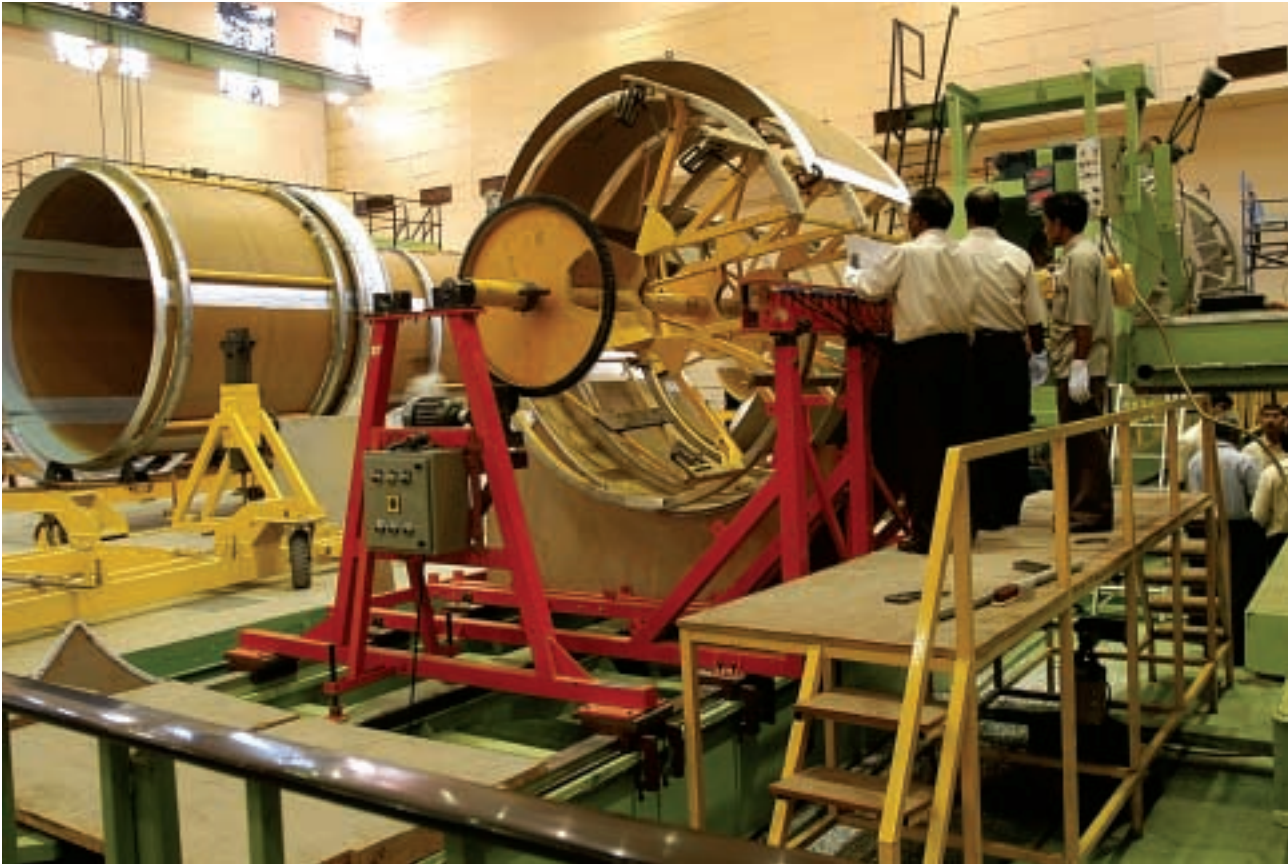
The state has an international airport at Bangalore and domestic airports at Belgaum, Mangalore and Hubli.

The state's port infrastructure includes a network of 10 ports including the New Mangalore port, which is an all-weather seaport that can handle cargo vessels.

The Sea Bird project of the Indian Navy near Karwar has special facilities for exporting iron ore and handling crude, coal, LPG and other products.

Industrial infrastructure

Karnataka is an exports hub. It has 270 exporting units and another 65 are in the pipeline. Twenty per cent of total exports from export-oriented units (EOU) in India come from Karnataka. To encourage exports and offer industry appropriate incentives and infrastructure, the state has also approved Special Economic Zones (SEZs) at Hassan, Bangalore and the coastal zone.



Some of the other proposed industrial parks in the state include:

- Bangalore International with an investment of US\$ 235 million
- An integrated campus for the development of circuits & designs with an investment of US\$ 41.5 million
- An apparel park at Doddaballapura in Bangalore rural with an investment of US\$ 6.9 million
- A state-of-the-art international technology park with 1.5 million sq ft built up area
- Six new private technology parks with a built up area of 6 million sq ft
- An electronic city at Bangalore and Mysore
- STPs at Mysore, Hubli and Mangalore with high speed data communications facilities
- A telecom knowledge SEZ with an investment of US\$ 9.1 million
- The IT-corridor Project and the Bio-corridor project, both of which are coming up in Bangalore

Communications infrastructure

The state has a strong communications network and the second highest number of Internet subscribers in the country.

- The state was the first in the country to get the 'extended facility' of an international gateway and network operations centre at its STPs
- The entire state is networked through Optic Fibre Cable (OFC)
- Individual satellite connectivity has been provided to more than 1,050 IT companies. These have an international bandwidth of 370 Mbps
- Last mile access is provided directly to customers in all major cities. The state is connected to all major submarine cables including the i2i submarine cable, which has a 8.6-terra byte capacity

STATE POLICY

Karnataka is keen to promote itself as the destination for domestic and foreign investment to catalyse industrial growth. The State Policy aims to achieve a consistent economic growth rate of 8-9 per cent over the next decade. Policy makers propose to create employment opportunities through industrial growth in the state and several sectors have been identified as thrust areas. The state offers incentives such as tax exemptions for investment in these sectors. These sectors are electronics, telecommunication, informatics, precision tooling and tool room industries, readymade garments including leather garments (excluding leather tanning), units manufacturing pollution control and effluent treatment plants, equipment and appliances and biotechnology.

Industrial Policy

The State Government plans to establish a corpus called the 'Technology Upgradation Fund' of US\$ 10.5 million to encourage technology upgradation in industries. The incentives offered include:

- Interest subsidy to industries, which avail loans from State Financial Corporations for technology upgradation and modernisation
- Assist companies obtaining ISO certification by bearing 50 per cent of the cost
- Offer special range of concessions to all new industrial units irrespective of size in all four zones of the state
- Exemption on entry tax and stamp duty for new industries in thrust areas

Infrastructure Policy

Recognising the crucial role played by infrastructure in economic development, the State Government has made infrastructure development a priority.

It is committed to encouraging private investment in this sector. One of the major focus areas in infrastructure is power. The Government plans to establish a corpus called 'Infrastructure Development Fund' of US\$ 21 million to primarily meet the infrastructure needs of industry and ensure uninterrupted and quality power. It will do so by establishing dedicated sub-stations in all industrial areas and by converting 11 KVA feeders with more than 50 per cent industrial loads into exclusive industrial feeders/express feeders.

e-Governance

The State Government has taken several initiatives to streamline procedures for investors in the state. These include:

- A single window nodal agency called 'Karnataka Udyog Mitra' for necessary clearances
- A state-level single window agency to consider investment proposals up to US\$ 10.5 million
- A district-level single window agency to examine proposals up to US\$ 0.63 million

IT Policy

Karnataka holds a pre-eminent position in the field of information technology. It was one of the first in the country to announce an IT Policy in 1997. Karnataka's IT Policy focuses on using e-governance as a tool and delivering a government that is more proactive and responsive to its citizens. In December 1999, the State Government created a special taskforce to prepare an action plan to harness the power of IT to address core issues concerning the state. The outcome was Mahithi - The Millennium IT Policy. Mahithi emphasises the importance of taking IT to the common man. The e-governance projects that are being implemented in the state are:

- *Centre for e-Governance*: This will facilitate the use of information technology for the common man and provide technical support to state departments
- *Mukhya Vahini (Primary Vehicle)*: To develop a comprehensive database on Karnataka for developing a sophisticated decision support system for decision makers
- *Bhoomi (Land)*: To aid farmers in establishing ownership of land, recording the succession of ownership, recording agricultural crop details and obtaining loans from banks
- *Nondani (Registration)*: To make land registration simple and easy
- *Khajane (Treasury)*: To computerise treasuries all over Karnataka
- *Therige (Tax)*: To check evasion of taxes on certain commodities
- *Reshme (Silk)*: To introduce online transactions in the silk market
- *Agricultural price information*: To ensure that prices of commodities are easily available to farmers all over the state
- *Police IT 2000*: To enhance police intelligence
- *Saarige (Transport)*: To computerise all the transport offices in Bangalore
- *Municipal corporations*: Introduce a system to simplify payment of property tax, issuance of birth and death certificates and grievance redressal

Biotech Policy

The State Government is committed to maintaining Karnataka's pre-eminent position in the biotechnology sector and has a comprehensive Biotech Policy. To attract investment in this sector, the State Government has outlined incentives for the biotechnology industry which include:

- Exemption on payment of entry tax on machinery, equipment, capital goods and construction materials
- Up to 50 per cent exemption on payment of stamp duty and registration charges
- Concessions for biotechnology parks certified by the Department of IT and Biotechnology with

a built up area of 50,000 sq ft

Karnataka is also committed to providing the right infrastructure and enhancing human resources for the development of biotechnology. The Government has established the Institute of Bioinformatics and Applied Biotechnology in the International Technology Park in Bangalore. It also plans to establish a biotech park at the University of Agricultural Sciences in Bangalore. This park will house research organisations and companies.

Some of the other institutions in the state that promote biotechnology are the Centre for Human Genetics, Institute of Agri-Biotechnology and Institute of Bio-Informatics and Applied Biotechnology. Karnataka has also set up a biotech development council and has a single-window agency to clear all biotech projects in order to encourage investment in the sector.

Tourism Policy

Karnataka was among the first states in the country to bring out a progressive Tourism Policy as early as June 1992. The Policy aims to promote tourism-related activities to enhance employment and income-generation among all sections of the society. In fact, the state has been proactive in encouraging private sector participation in this sector. Some of the objectives of the Tourism Policy are:

- Promote eco-tourism to increase awareness about the state's flora and fauna
- Promote tourism-related activities
- Develop travel circuits and offer tourists more diversity
- Create new tourism products that meet global standards
- Tap the state's tourism potential
- Market Karnataka in national and international markets
- Promote adventure sports/entertainment activities and highway tourism

BUSINESS OPPORTUNITIES

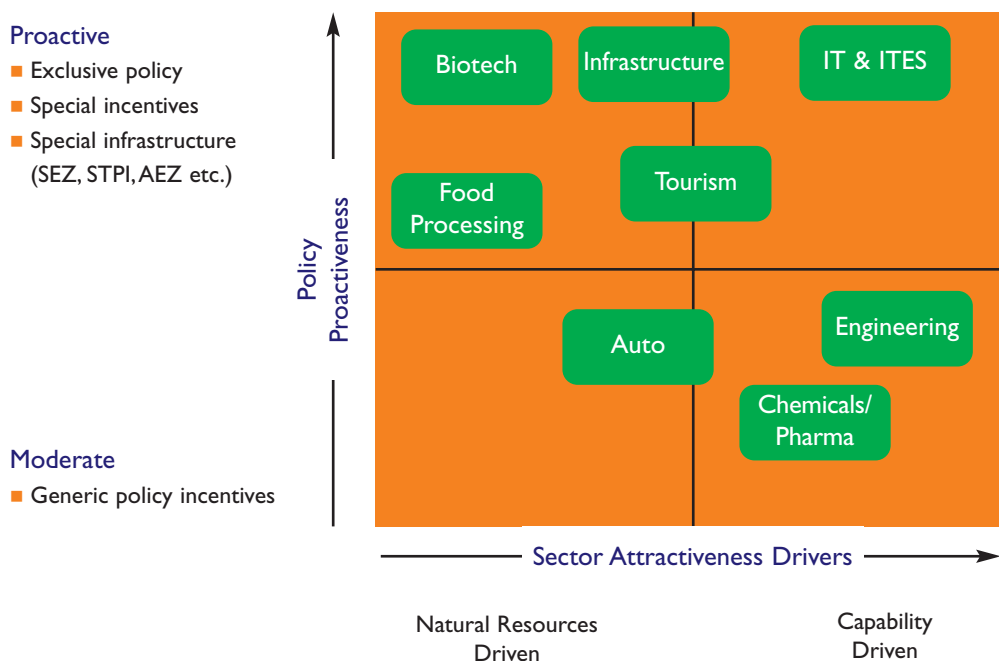
There are several factors that affect evolution of an industry in a particular region. The major factors impacting evolution are:

- **Policy proactiveness:** The policy that a state government adopts towards a sector directly affects its attractiveness for further investment. For example, for the IT sector, the Karnataka Government has given many concessions. This has prompted many IT majors, both domestic like Infosys and Wipro as well as multinationals like Oracle, Hewlett-Packard to set up software development operations in Karnataka.
- **Availability of natural resources:** Certain industries like agro-based industries have a high dependence on availability of natural resources.

Karnataka's rich bio-diversity spurred the growth of biotech industry in the state.

- **Capability:** Availability of good quality manpower is a must for all industries to flourish. High literacy rates, the presence of good research organisations and some of the best academic institutions ensure that the state has well qualified manpower. This has been a major factor enabling the success of Karnataka in sectors like engineering, IT/ITES and biotech. Given its strong base of technical work force, knowledge-intensive industries are gradually taking a lead position in the state.

Based on an assessment of the above factors, some of the industries with potential for investment and growth in the state of Karnataka are illustrated below:

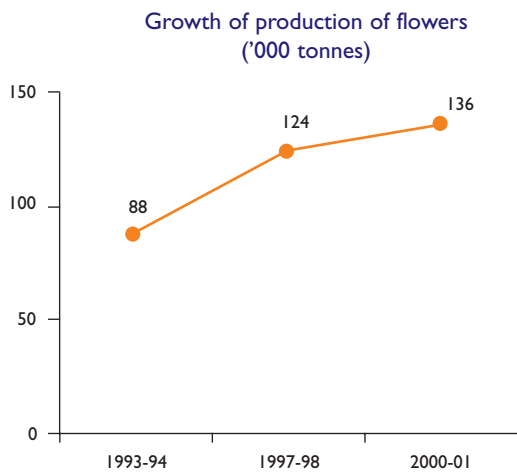


This is a qualitative assessment to highlight relative attractiveness of different sectors. A case by case analysis is necessary before investment is made.

Key industries

Agro-based

About 70 per cent of Karnataka's population lives in villages and 71 per cent of the total workforce is engaged in agriculture, growing crops such as rice, millet, maize, pulses, oilseeds and other cash crops. Coffee is the principal plantation crop followed by cashew and coconut.



Source: Indian Horticulture Database 2002, National Horticulture Board & Past Issue

Horticulture accounts for over 40 per cent of the total income derived from the state's agriculture sector, and it contributes 17 per cent to the state's GDP. Karnataka is one of the leading producers of fruits and vegetables in the country.

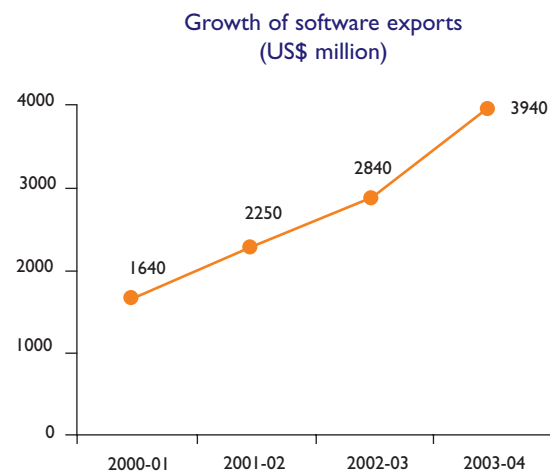
- Coffee from the state accounts for 70 per cent of the country's total production
- Karnataka exported US\$ 184 million worth of coffee in 2001-02
- Karnataka ranks second in the production of flowers
- It produces 70 per cent of India's silk
- It is a leading state in silk rearing and production of khadi

Karnataka offers several greenfield opportunities for setting up agro-based industrial activities including preservation, processing and packaging of food. Several multinational companies like Unilever,

Britannia, Nestle, Nissin, Pepsi, Coco-Cola, Heinz, among others, have manufacturing facilities for food processing in the state.

Information technology and telecommunications

Karnataka has been the forerunner in the field of information technology. With an IT Policy focusing on infrastructure and liberalisation, the state has emerged as a leading exporter of software products and services. Bangalore, its capital city, has become the fourth largest technological hub in the world.



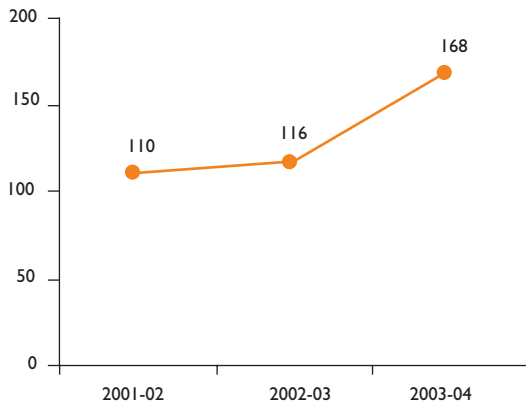
Source: www.karnataka.com

Revenues from the state's software sector constitute 35 per cent of the state's exports and are steadily increasing. Karnataka also generates 36 per cent of the country's total software exports.

The state has about 1,156 software development units with a total investment of US\$ 346 million. In 2003-04, 168 new software firms invested US\$ 522.3 million in the state. This includes an investment of US\$ 429 million made by 110 overseas companies. Apart from Bangalore, Karnataka is also encouraging software investment in Mangalore, Mysore, Hubli and Belgaum.

Several global players like IBM, Hewlett Packard, Motorola, Siemens, Philips, LG, British Aerospace, ACER, Oracle, Sony, Hitachi, Lucent Technologies, Sun Microsystems etc, have a presence in the state.

Growth in number of software companies



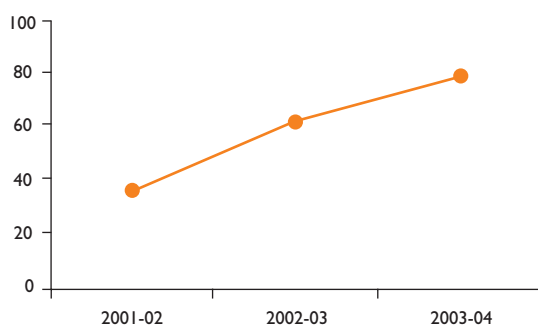
Source: www.karnataka.com

Electronics

Bangalore is known as the Electronic City. With over 300 of the world's leading electronics companies located in Karnataka, the state is a major player in the electronics and telecommunications sectors in India. The industry's turnover of over US\$ 1 billion accounts for 20 per cent of the national output. Karnataka is also a major exporter of electronic products.

The state is home to many global electronic giants like Sanyo, Lucent, 3M, TYCO, NEC, Samsung, GE, Yokogawa Blue Star, British Telecom, among others. Major Indian companies in this field are BPL and Tata Elxsi.

Growth of hardware exports (US\$ million)



Source: Karnataka Government

Biotechnology

Biotechnology is one of the key sectors in the state. Bangalore has the country's largest bio-cluster and owes much of its success to the presence of a large number of prestigious research institutions. The state has close to 92 biotech companies, about 50 per cent of the biotech companies in the country.

Total investment in the biotech sector in the state approximately is over US\$ 217.6 million including US\$ 30.5 million of venture capital funding. Karnataka's natural biodiversity has attracted several domestic players and MNCs to establish their facilities in the state. The Indian Institute of Science and the National Centre for Biological Resources provide research support to the state.

Readymade garments and textiles

Karnataka has a sizeable presence in garments and textiles sector. The readymade garment sector recorded exports worth US\$ 860 million in 2003-04, the second highest after electronics and software sector.

Leading garment brands manufactured in the state include Crocodile, Van Heusen, Arrow, Allen Solly, Lee, Lacoste, Levi Strauss, Tommy Hilfiger, among others.

Automobiles

The state has invited a wide range of multinational players in the auto sector to set up facilities in the state. In 2003-04, revenues from the state's auto sector stood at about US\$ 604 million. Investment in the sector amounted to over US\$ 413.1 million.

Auto giants like Volvo, Toyota, Suzuki, Hitachi, Komatsu and Tata Motors have established manufacturing facilities in the state. Reva, an indigenous manufacturer of electric cars and the first of its kind in India, is also based in Karnataka.

Aeronautics

Karnataka has a well-developed aeronautics sector with a presence of many reputed domestic and

Belgaum foundry cluster

Belgaum in Karnataka has an important foundry cluster in the country with about 100 foundry units that feed the state's automobile sector. The geographical spread of the cluster includes Udyambag and Macche industrial areas. Belgaum is a source of high precision, high volume and economical castings with about 20 per cent of the foundry units being ISO 9000 certified. A majority of the units in the cluster cater to automotive and oil engines (31 per cent) and pumps and valves (21 per cent). The workforce in the cluster is over 10,000 and the revenues generated by this cluster exceeded US\$ 21.5 million.

international players. Hindustan Aeronautics Ltd (HAL) and National Aeronautics Laboratories (NAL) are two state-owned organisations in this sector that produce world-class products. The organisations are involved in various activities

in the areas of design, development, manufacture and maintenance of various aircrafts and avionics. HAL has 14 manufacturing units, which are supported by nine R&D centres. The research facilities available in this sector are at par with world-class organisations. Global corporations like GE, Rolls Royce, BAE, Turbo Meca among others have also set up facilities in the state.

Engineering

Karnataka has traditionally been a hub for engineering services industries in the country. Many state-owned companies like Bharat Electronics Ltd, Bharat Earth Movers, Hindustan Machine Tools (HMT), Bharat Heavy Electricals are among those present in the state. HMT alone has 16 manufacturing units with 22 product divisions involved in manufacturing and marketing machine tools, watches, tractors, CNC systems. MNCs like SKF, Ingersoll Rand, Waltex, Durco, Wrigten, Goulds, Moog Control, Yuken, are among those that have manufacturing facilities in the state.



Tourism

Karnataka is a land endowed with scenic beauty. It has been steadily attracting investment from companies in the hospitality business with numerous companies setting up hotels, beach resorts, eco-friendly resorts, golf courses, aero sports facilities and amusement parks in the state.

The state's new Tourism Policy is actively promoting investment in this sector. The Government has decided to attract investment in tourism with a host of new plans including offering government land to entrepreneurs at 50 per cent of the market value to establish resorts.

Mineral-based industry

The state is endowed with a rich mineral wealth and contains deposits of asbestos, bauxite, chromite, dolomite, gold, iron ore, kaolin, limestone, magnesite, manganese, ochre, quartz and silica sand. Karnataka is the sole producer of felsite in India and a leading producer of gold, moulding sand and fuchsite quartzite. Exports from this sector stood at US\$ 198.2 million in 2003-04.

Exports

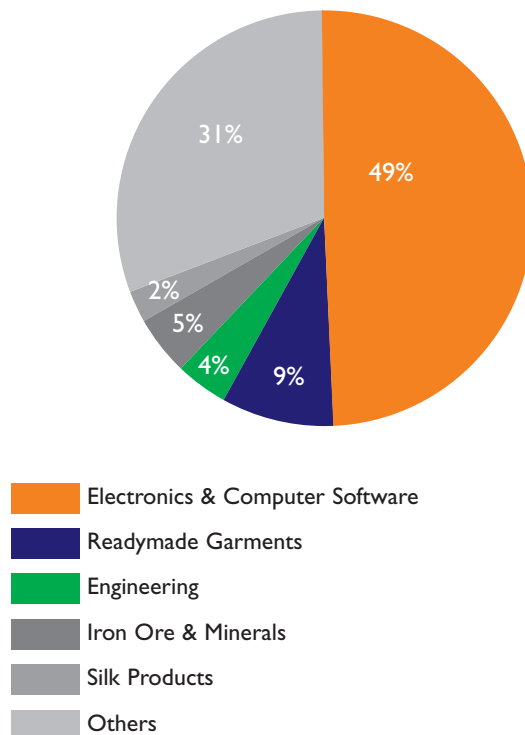
Karnataka has been consistently recording an annual export growth of 25 per cent and exports stood at US\$ 9.33 billion in 2003-04. Electronics and software lead the pack, accounting for about 50 per cent of total exports from the state. Textiles contributed 20 per cent, followed by chemicals, which grew 57 per cent in 2003-04.

Other export highlights from the state include:

- 83 per cent growth of exports in 2003-04, were from export-oriented units at US\$ 1,630 million
- The state recorded its highest software exports at US\$ 3.85 billion in March 2004
- IT hardware exports stood at US\$ 362 million in 2003-04

- The jewellery sector recorded exports worth US\$ 560 million in 2003-04
- The garment sector accounted for exports worth US\$ 860 million in 2003-04
- Iron ore and minerals accounted for US\$ 445 million worth of exports in 2003-04

Contribution of various sectors to exports in 2003-04



Source: Government of Karnataka Website

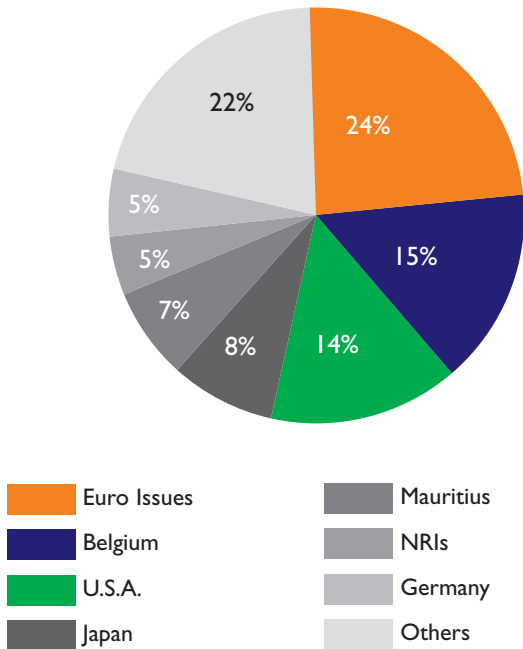
Investment*

Foreign Direct Investment

The state has been proactive in encouraging private participation in various sectors. Karnataka is the fourth largest recipient of FDI in the country. In 2004, it attracted FDI to the tune of US\$ 5.4 billion for 160 projects. Investor friendly policies have spurred the growth of MNCs in various sectors in the state.

*Source: Projects Today as of February 2004: Projects Today classifies projects as 'nascent', 'planning', 'partially completed' and 'under execution'. For the purpose of the above estimation, nascent and planning stage projects have been aggregated.

FDI inflow from various countries till 2003-04



Source: www.kumbangalore.com

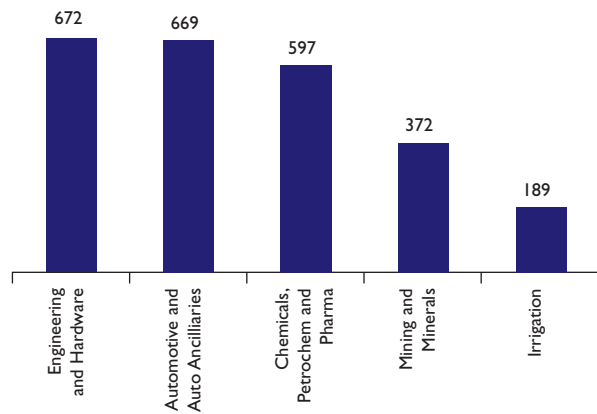
Since 1991-92, when FDI inflow in the state stood at US\$ 3 million, over the last decade FDI inflow into Karnataka has grown at a CAGR of 50 per cent. The announcement of its IT Policy, proved to be a turning point for the state, which saw an influx of foreign investment of US\$ 1.3 billion in 1998-99.

Future investment in Karnataka

Karnataka's total investments are close to US\$ 22.8 billion of which infrastructure accounts

for US\$ 15.73 billion. Of about 50 per cent of the total planned investment*, the power sector is attracting maximum foreign investors.

Estimate of likely investment in Karnataka (US\$ million)



Source: Projects Today

In addition to implemented projects, many infrastructure projects are in the pipeline. For example, Toyota Kirloskar, a subsidiary of Toyota Motors, plans to invest about US\$ 460 million to manufacture passenger cars at Bidadi. Global IT company, Cisco Systems plans to expand its operations in the state with an investment of about US\$ 130 million. Mobius International Private Limited plans to invest around US\$ 650 million in the tourism and recreation sector.

*The projects that are above US\$ 53 million involving foreign equity and at various stages like 'planning', 'nascent' and 'under execution'.

PROFILE OF KEY PLAYERS IN KARNATAKA

ABB India

ABB India is a leader in power and automation technologies. The company has 8 manufacturing units, 26 marketing offices, 8 service centres and 3 training centres across the country. In 2003, ABB India's revenues stood at US\$ 310 million. To leverage India's intrinsic technological strengths and the vast pool of highly qualified software professionals, ABB has set up a global corporate R&D centre in Bangalore, which focuses on industrial IT development and deployment. It also helps maintain and support a range of software-intensive products and partners with other ABB R&D centres. This was the first such centre to be established outside the US and Europe. The centre works on high-tech projects. ABB India employs about 3,400 people.

Bharat Electronics Ltd (BEL)

Bharat Electronics Ltd, established in 1954 with its corporate office at Bangalore, has nine units in the country. It is engaged in design development and manufacture of sophisticated state-of-the-art electronic equipments/components for the use of defence services, para-military organisations and other government users like All India Radio, Doordarshan, Department of Telecommunications, Police Wireless, Meteorological Department etc. BEL is also the premier indigenous source for professional electronic equipment. All of BEL's manufacturing facilities have been accredited with ISO 9002/ISO 9001. In 2002-03, BEL's turnover stood at US\$ 509 million.

Bosch

Robert Bosch India Ltd is a wholly owned subsidiary of Robert Bosch GmbH, Germany. The company is the software division of Bosch that develops software solutions for Bosch's units in Europe, US and Asia-Pacific. It also markets Bosch's gasoline systems division. The software division is ISO 9001

certified and has attained certified CMM level 4. Its other divisions are ISO 9002 certified.

Britannia

Britannia, a subsidiary of Groupe Danone, is a leader in the organised biscuit market in India. Britannia's product portfolio comprises bread, biscuits, milk-products like butter, cheese, milk-based drinks and dairy whitener. The company has a dominant 48 per cent share in the biscuits market and they account for almost 84 per cent of the company's sales. Britannia registered sales worth US\$ 321.5 million in 2004.

GE India

GE India has a state-of-the-art R&D facility at Bangalore, which is the largest of its kind outside the US. Called the John F Welch Technology Centre, it employs over 1,800 dedicated researchers. The Centre has filed for over 185 patents, of which 12 have been granted till date. The R&D centre engages the Indian team with technology teams from GE businesses worldwide for global projects in the core areas of GE's operation. GE's revenues in India exceed US\$ 1 billion and the company employs over 22,000 people across the country.

Hewlett Packard India Ltd (HPIL)

Hewlett Packard India Ltd, a wholly owned subsidiary of Hewlett Packard Company, started operations in India in 1989. In Bangalore, HP India has two back office groups' Hewlett-Packard India Software Operation (HP ISO) and Global Digisoft, both of which undertake software development. HP India also set up HP Labs India in 2002 in Bangalore to generate ICT innovations for emerging economies. HP's products include printers and digital imaging equipment, computers, storage equipment, and networking equipment. HP holds the number one position in the printer market in the country.



Himalaya Drug Company

Bangalore-based US\$ 74.5 million Himalaya Drug Company was founded in 1930 with a clear vision to bring ayurveda to society in a contemporary form. Today, consumers in over 60 countries rely on Himalaya for their health and personal care needs. Himalaya is the first ayurvedic facility to get Good Manufacturing Practises (GMP) certification in the country. They are the only herbal pharmaceutical company whose ayurvedic product, Liv 52 is registered as a “Pharmaceutical Speciality” in Switzerland. Himalaya is one of the chosen companies for a WHO sponsored project to standardise medically useful herbs.

An advanced manufacturing facility was set up in Bangalore in 1975 that grew to become the corporate headquarters. In 1991, the company moved its R&D centre to Bangalore. The company established a state-of-the-art new manufacturing unit and R&D centre for ayurvedic medicine and formulations in 2003 at a cost of US\$ 35 million at Bidadi in Bangalore.

Himalaya Drug company is setting-up a new factory at Bangalore on 200 acres of land. Set to be operational by the end of 2005, the unit will manufacture the entire product range for the company and will house an integrated R&D



laboratory. The unit will produce products from granulation stage to finishing.

Hindustan Machine Tools (HMT)

Hindustan Machine Tools was founded by the Government of India as a machine tool manufacturing company in 1953. Over the years the company has diversified into watches, tractors, machine tools, CNC systems and bearings. HMT comprises six subsidiaries under the ambit of a holding company. It has two manufacturing units in Karnataka, at Tumkur and Bangalore. The company also imports machine tools. The company has over 22,000 employees.

IBM

IBM India Ltd, a subsidiary of IBM Inc., has been present in India since 1992. IBM offers end-to-end solutions to the customers from hardware to software, services and consulting. India is an important market for IBM and the company has been making significant investment in the country, particularly in Bangalore. Its facilities in Bangalore are: IBM Solution Partnership Centre (one among 10 facilities worldwide), Linux Solution Centre (one among seven facilities worldwide), IBM Linux Competency Centre (one among four facilities in Asia), India Software Labs, Centre for Advanced Studies, Engineering and Technology Service Centre, Global Delivery Centre and Business

Transformation Outsourcing Centre. IBM India has a total workforce of over 15,000 employees including those in BPO services.

Infosys

The US\$ 1.06 billion Infosys Technologies Ltd is one of India's leading IT services companies based in Bangalore. Infosys has a global presence in over 16 countries. It provides consulting and IT services to clients and operates with a workforce of over 35,000 people. Infosys is India's second largest exporter of software services. The company was certified ISO 9001/TickIT Certification in 1993. It attained SEI-CMM Level 4 in 1997, and SEI-CMM Level 5 - the highest rating for IT services companies, in 1999. In 2004, Business Week magazine rated it as one of the World's Top 3 IT Companies. Infosys also won "India's Best Managed Company Award" based on a study by Business Today and AT Kearney in March 2005.

Intel

Intel India was established in 1988 in Bangalore. Today, Intel India is the only Intel subsidiary to have most Intel divisions outside the United States. In 2003, Intel had a market share of about 90 per cent in the Indian computer chip market - over 3 million units annually. Intel's India operations includes the Intel India Design Centre which was set up in 1999. This is Intel's largest non-manufacturing site internationally

and is involved in developing software and designing chip sets and microprocessors. Intel also has a sizable sales and marketing organisation located in Bangalore. In India, Intel has over 2,000 employees.

Motor Industries Co Ltd (MICO)

Motor Industries Co Ltd, a member of the Bosch Group, Germany, was founded in 1951. The company is the country's largest manufacturer of diesel fuel injection equipment and among the largest in the world. MICO also manufactures industrial equipment, auto-electricals, hydraulic gear pumps for tractor appliances, electric power tools, packaging machines and car audio systems. One of the company's manufacturing facilities is located at Naganathapura, near Bangalore. In 2003, the company reported a turnover of over US\$ 495 million. The company employs over 11,000 people across the country.

Motorola

Motorola India Electronics Ltd has a state-of-the-art software development facility at Bangalore. This facility produces a wide range of high quality two-way radio products. Motorola's presence in Bangalore also includes a sales office and a research and development centre. Motorola has installed India's first Public Mobile Radio Trunk Service in Bangalore. It also manufactures Smartnet Privacy Plus Radio Trunking equipment at its facility in Bangalore. In 2003-04, Motorola India revenues stood at US\$ 350 million. It employs about 2,000 people across its business units.

Oracle

Oracle India Pvt Ltd, a subsidiary of Oracle Corporation, the world's largest enterprise software company was established in August 1993 with less than 10 people. In 1994, it became the first major US software company to establish an India Development Centre in Bangalore to support its product development strategy for global markets. Currently, Oracle's facilities in Bangalore include the India Development Centre, the International Support

Centre, Oracle Solution Services Centre and a Global Financial Information Centre. Oracle is one of the largest software multinational employers in India with over 6,900 employees. The company is serious about investing in India and Oracle India has the highest in R&D outside the US.

Reva

Reva makes India's first indigenously developed electric car that is both eco-friendly and cost effective. The company has a plant at Bommasandra Industrial area in Bangalore with a capacity to produce 5,000 units per annum. Reva manufactures and exports three variants of the car. Reva has bagged the Thomas Alva Edison Award for Innovation and the Dr M S Swaminathan Award for Environment Protection in the year 2001. Reva has a workforce of about 800 people.

Sun Microsystems

Sun Microsystems India Pvt Ltd is a subsidiary of US\$ 11.2 billion Sun Microsystems Inc. In India, Sun Microsystems has a presence in hardware (servers and workstations); software (operating systems, application development); data storage solutions and services (assess, plan, design and implement IT architecture).

Texas Instruments (TI)

Texas Instruments India, a subsidiary of Texas Instruments, USA, started its operations in India in 1985. It was the first MNC to set up a facility in India, and the first to set up an R&D lab outside the US. It later set up its System-On-Chip Centre of Excellence in Bangalore. TI is one of the leading suppliers of DSP-based semiconductor solutions globally. In India it has over 1,200 employees and revenues of over US\$ 100 million. The Bangalore centre is instrumental in developing various solutions for the company's products globally. TI India has been awarded the highest number of patents (225) for any R&D centre in the country.

Toyota Kirloskar Motor Pvt Ltd (TKM)

Toyota Kirloskar Motor Pvt Ltd is a joint venture between Kirloskar Group and Toyota Motor Corporation. The company is one of the leading automobile manufacturers in the country and aims to occupy a leading role in the development of India's automotive industry. Its product range includes Qualis, Corolla, Camry and Innova with variants. TKM's manufacturing plant is located about 40 km from Bangalore and has a capacity of 45,000 units per annum. The company plans to expand it to 60,000 units with an investment of about US\$ 27 million. It employs close to 2,400 people and in 2004-05, the company sold 43,077 vehicles.

UB Group

The UB Group is the world's second largest and India's largest spirits manufacturer. It enjoys over 60 per cent market share in the country and has a portfolio of 130 brands. Its flagship brands are Bagpiper whisky, Honeybee brandy, Romanov vodka and Kingfisher beer, among others. The Group's business interests also extend to other sectors including pharmaceuticals (Aventis), agro-business (Bayer), fertiliser sector (Mangalore Chemicals & Fertilisers) and more recently the airline industry.

Volvo

Volvo is one of the largest producers of heavy commercial vehicles in the world. The company established its manufacturing facility for heavy commercial vehicles in Hoskote, near Bangalore, in 1998, with an initial investment of around US\$ 65 million. This unit has a capacity of 4,000 units per annum and manufactures vehicles with a gross vehicle weight of over 16 tonnes. The company recorded a turnover of US\$ 500 million in 2001. Volvo plans to eventually develop its operations in India into a cornerstone for its global production and distribution systems. Volvo's India unit is one of the only two outside Sweden to assemble gear boxes.

Wipro Technologies

The US\$ 1 billion Wipro Technologies has over two decades of experience in the IT business and was the world's first PCM M Level 5 and SEI CMM Level 5 certified IT services company. Wipro provides IT solutions and services to global corporations worldwide. It is listed on the New York Stock Exchange. Wipro has been ranked as India's Most Valuable Company by India's business magazine Business Today and the seventh software services company in the world by Business Week magazine. Wipro also has a presence in ITES, consumer care, lighting and healthcare.

DOING BUSINESS IN KARNATAKA

Obtaining approvals

An indicative list of approvals with timeframe for setting up business in Karnataka

List of approvals and clearances required	Departments to be consulted	Estimated Time Taken (days)
Incorporation of the company	Registrar of Companies	SINGLE WINDOW CLEARANCE The Karnataka Udyog Mitra (state single window clearance) clears investment proposals in 40 days on an average. The single window obtains all approvals necessary for the investment proposal within the aforementioned time.
Registration, IEM, Industrial licences	District Industrial Centre for small scale, large and medium industries	
Allotment of land	State Department of Industries/State Industrial Development Corporations/ Infrastructure Corporation	
Permission for land use	State Department of Industries, Department of Town and Country Planning	
Site environmental approval	State Pollution Control Board and Ministry of Environment and Forests	
No Objection Certificate and consent under Water and Pollution Control Acts	State Pollution Control Board	
Approval of construction activity and building plan	Town and Country Planning Authority	
Sanction of power	State Electricity Board	
Registration under state's Sales Tax Act and Central and State Excise Act	Sales Tax Department, Central and State Excise Departments	

Source: www.kumbangalore.com

Cost of setting up business

An indicative table on cost of setting up business in Karnataka

Manufacturing	
Land (US\$ / hectare)*	129,191.5
Labour cost (US\$ / man year)**	1,522
Services	
Occupation costs*** (US\$ / sq ft / year)	16.44
Employee Cost (US\$ / man year)****	
Software developers	6,383
Team leads	14,893
Architects	21,276.5
Project managers	31,915
Common Heads	
Cost of capital***** (Prime lending rate, per cent)	10.57
Electricity (US cents / kWh)*****	
Metropolitan area	12.13
Non metro area	8.7

*Land cost has been estimated by computing the average cost of land at various Industrial Parks in Karnataka

**Source: www.indiastat.com

***Report on occupancy costs in Bangalore by real estate consulting firm Cushman Wakefield

****KPMG analysis on costing for an IT venture in India

*****Estimated by computing the average Prime Lending Rates of prominent public sector, private sector and foreign bank in India

*****Source: www.indiastat.com

Note: Exchange rate used is INR 47 per US\$

Contact for information

State Government Website

www.karnataka.com

Karnataka State Investment and Industrial Development Corporation (KSIIDC)

Karnataka State Investment and Industrial Development Corporation is wholly owned by the Government of Karnataka and has been established with the main objective to act as a catalyst for promoting industrial growth in the state specially in the medium and large-scale sectors. It is the designated agency of the State Government to plan and promote industrial infrastructure development projects.

Karnataka State Investment and Industrial Development Corporation

MSIL House No 36
Cunningham Road
Bagalore 560 052
Tel +91 80 2258131
Fax +91 80 2255740
Email ksiidc@bir.vsnl.net.in
Web www.ksiidc.com

Confederation of Indian Industry (CII)

Information on markets and opportunities for investment in Karnataka can also be obtained from Confederation of Indian Industry which works with the objective of creating a symbiotic interface between industry and government.

Confederation of Indian Industry Southern Region

98/1, Velacherry Main Road
Chennai 600 042
Tel +91 44 52444555
Fax +91 44 52444510
Email cii.south@ciionline.org

Confederation of Indian Industry State Office

No 1086, 12 Main, HAL 2nd Stage
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