KARNATAKA

December 2008
State Economy and Socio Economic Profile
Karnataka — a snapshot

- Located in the southern region of India, Karnataka, has a population of 52.85 million (2001 Census) making it India’s ninth-largest state by population.
- Occupies an area of 191,791 Sq.Km. (5.83 per cent of India).
- State is bordered by the Arabian Sea to the west, Goa to the northwest, Maharashtra to the north, Andhra Pradesh to the east, Tamil Nadu to the southeast, and Kerala to the southwest.
- The state is divided into 29 districts.
- Administrative and financial capital is Bangalore.
- Hubli-Dharwad, Mysore, Gulbarga, Belgaum and Mangalore are the five large cities in terms of population after Bangalore. (2001 Census)
## Socio-economic snapshot

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Karnataka</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>Bangalore</td>
</tr>
<tr>
<td>Geographical Area</td>
<td>1,92,00,000 Sq. Km.</td>
</tr>
<tr>
<td>Administrative districts</td>
<td>27 districts</td>
</tr>
<tr>
<td>Population density</td>
<td>275 persons/ Sq. Km.</td>
</tr>
<tr>
<td>Population</td>
<td>52.73 million</td>
</tr>
<tr>
<td>• Male</td>
<td>26.85 million</td>
</tr>
<tr>
<td>• Female</td>
<td>25.87 million</td>
</tr>
<tr>
<td>Sex ratio</td>
<td>964</td>
</tr>
<tr>
<td>Decadal population growth rate 1991 - 2001</td>
<td>17.25%</td>
</tr>
<tr>
<td>Projected population 2008</td>
<td>57.39 million</td>
</tr>
<tr>
<td>Literacy rate</td>
<td>67.04%</td>
</tr>
<tr>
<td>• Male</td>
<td>76.29%</td>
</tr>
<tr>
<td>• Female</td>
<td>57.45%</td>
</tr>
<tr>
<td>Average life expectancy</td>
<td>64 years</td>
</tr>
</tbody>
</table>
Economic Profile

- Total GSDP of Karnataka in 2007-08 was about US$ 51.25 billion
- GSDP (Gross State Domestic Product) growth of seven per cent witnessed in 2007-2008
- Per capita income during 2007-2008 at US$ 942
- Fastest growing state over the past decade in terms of GDP and per capita GDP
- With overall GDP growth of 56.2 per cent and per capita GDP growth of 43.9 per cent in last decade, the highest decadal growth rate in country, Karnataka's per capita income stands at sixth place
Socio-economic profile (1/2)

• Bangalore, Mysore and Mangalore – three major cities of Karnataka with over 40 per cent of urban population in the state,
  • **Bangalore** – largest urban metropolis of the state
  • **Mysore** – emerging as an alternative destination to Bangalore in service and tourism sectors
  • **Mangalore** – with its ports, presence of educational institutes, hospitals and banks it’s fast emerging economy in services, logistics and manufacturing.

<table>
<thead>
<tr>
<th>Socio- economic classification</th>
<th>SEC A</th>
<th>SEC B</th>
<th>SEC C</th>
<th>SEC D &amp; E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore</td>
<td>14%</td>
<td>23%</td>
<td>30%</td>
<td>33%</td>
</tr>
<tr>
<td>Mysore</td>
<td>11%</td>
<td>21%</td>
<td>29%</td>
<td>48%</td>
</tr>
<tr>
<td>Mangalore</td>
<td>5%</td>
<td>20%</td>
<td>27%</td>
<td>40%</td>
</tr>
</tbody>
</table>
## Socio-economic profile (2/2)

<table>
<thead>
<tr>
<th>Cities</th>
<th>Average annual household income (US$)</th>
<th>Average annual household savings (US$)</th>
<th>Households electrified (percentage)</th>
<th>Internet users (nos.)</th>
<th>Households with four wheelers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore</td>
<td>211</td>
<td>84</td>
<td>95</td>
<td>579,000</td>
<td>10%</td>
</tr>
<tr>
<td>Mysore</td>
<td>180</td>
<td>58</td>
<td>93</td>
<td>91,000</td>
<td>9%</td>
</tr>
<tr>
<td>Mangalore</td>
<td>180</td>
<td>50</td>
<td>91</td>
<td>95,000</td>
<td>6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cities</th>
<th>Population in million (urban)</th>
<th>Unemployment rate</th>
<th>Migration rate</th>
<th>Population growth rate per annum</th>
<th>Employment growth</th>
<th>Credit growth</th>
<th>Deposit growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangalore</td>
<td>6.20</td>
<td>12.05%</td>
<td>8.0%</td>
<td>3.2%</td>
<td>4.84%</td>
<td>20.00%</td>
<td>19.8%</td>
</tr>
<tr>
<td>Mysore</td>
<td>0.98</td>
<td>11.73%</td>
<td>5.9%</td>
<td>1.7%</td>
<td>2.75%</td>
<td>10.79%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Mangalore</td>
<td>0.73</td>
<td>6.15%</td>
<td>11.0%</td>
<td>3.1%</td>
<td>3.60%</td>
<td>15.28%</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

*Source: City Skyline Data*
Infrastructure status
Physical infrastructure - Roads

**Road inventory**

- State well connected to six neighboring states and other parts of India through 14 National Highways (NH); accounting for about six per cent of total NH network in India.
- District centres connected to each other with 114 State Highways (SH).
- Total road network of NH, SH and district roads is about 52,000 Kms.

*Source: South West Zone Railways, BMRCL, KSTDC, EY research*

**Multi-lateral agency funded projects**

- Upgradation component for 901 Km. (13 packages)
- Rehabilitation component for 1,480 Km. (34 packages)
- Project Cost: US$ 447 million
- World Bank Loan: US$ 399 million

**PPP in road sector development**

- Public Private Partnership models such as ‘Build-Operate-Transfer’ (Tumkur-Nelmangala, Elevated Expressway to E-City) and Annuity projects (Bangalore-Maddur) being used for road development.

**Road Type**

<table>
<thead>
<tr>
<th>Road Type</th>
<th>Road Length (Km.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Highway</td>
<td>3,843</td>
</tr>
<tr>
<td>State Highway</td>
<td>28,311</td>
</tr>
<tr>
<td>District roads</td>
<td>19,801</td>
</tr>
</tbody>
</table>

*Source: Government of Karnataka website, NHAI*
Physical infrastructure – Ports (1/2)

**Major ports**
- New Mangalore Port
- Karwar Port

**Minor ports**
- Belekeri
- Tadri
- Honnavar
- Bhatkal
- Kundapur
- Hangarkatta
- Malpe
- Padubidri
- Old Mangalore
### Physical infrastructure – Ports (2/2)

#### New Mangalore Port (2006-2007)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total traffic handled</td>
<td>32.04 MTA</td>
</tr>
<tr>
<td>Total Imports handled</td>
<td>17.92 MTA</td>
</tr>
<tr>
<td>Total exports handled</td>
<td>14.12 MTA</td>
</tr>
<tr>
<td>Number of vessels</td>
<td>1,015</td>
</tr>
<tr>
<td>Cruise Vessels</td>
<td>18</td>
</tr>
</tbody>
</table>

#### Karwar Port (2006-2007)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cargo handled</td>
<td>1.16 MTA</td>
</tr>
<tr>
<td>Total Imports &amp; exports</td>
<td>6 MTA</td>
</tr>
<tr>
<td>Revenue</td>
<td>US$ 2.7 million</td>
</tr>
<tr>
<td>25 Private Liquid Cargo Tanks</td>
<td>75,000 million tonnes</td>
</tr>
</tbody>
</table>

#### Ongoing NHAI port connectivity project

- NHAI’s Port Connectivity Project to New Mangalore Port - Implementation stage.
- NH-17 (Suratkal-Nantur Section), NH-48 (Padil-Bantwal Section), NH 13,
- Original completion date was December 2007 and has now been revised to March 2009.

Source: Department of Ports and Water Inland Transport, Government of Karnataka
Physical Infrastructure – Airports

International Airport

- Bangalore and Mangalore are the key airports in the State.
- International flights from Mangalore International Airport – presently to countries located in Middle East.
- New Bangalore International Airport developed under a Public Private Partnership framework at Devanahalli, in the outskirts of Bangalore started operations in May 2008.

Minor Airports/Low Cost Airports

- New minor airports proposed at Hassan, Mysore and Gulbarga, at various stages of approvals/completion.
- Government and private sector companies also proposing low cost airports costing about US$ 4.8 million per airport at multiple locations in state.

Bangalore International Airport, Devanahalli

- Commissioned: May 2008
- Area: 4,050 acres
- Capacity: 11 million pax p.a.
- Aircraft Movements: 63,500
- Fourth busiest airport in India (after Mumbai, Delhi & Chennai)
Physical infrastructure – Railways

| Rail inventory | • State well-connected to other parts of the country,  
| • Railway network of over 3,000 kilometers,  
| • Intra state rail connectivity, especially on the key lines for passenger and freight movements, needs to be augmented. |
|---|---|
| PPP in rail development | Rail projects being developed under PPP model  
| • For expeditious development of key railway lines such as gauge conversion of Hassan-Mangalore freight line, Hubli-Ankola lines,  
| • Through K-RIDE (Special Purpose Vehicle between Sate Government, Railways and other investors). |
| Ongoing projects | • Hassan – Sakhleshwar – Mangalore line gauge conversion, under progress,  
| • Key connectivity projects, doubling of Mysore – Bangalore railway line, Gadan – Bagalokot, Bangalore –Hassan to be taken up in near future. |
| Other related projects | Urban transport  
| • Metro rail and mono-rail projects in Bangalore underway,  
| • Mysore Metro Rail Project - preliminary feasibility considered.  
| Tourism  
| • Luxury tourist train on lines of Palace on Wheels (in Rajasthan) is operational. |
Physical infrastructure – Power (1/2)

### Generation:
KPCL and IPPs (GMR/Jindal/ Bhoruka)
- KPCL has an installed capacity of over 8944 MW
- No. of Consumers 15.5 million.
- Plants for another 4,000 MW are in the pipeline
- Independent power producers have installed capacity of over 1,000 MW

### Transmission:
Karnataka Power Corporation Limited (KPTCL)
- Area covered: 192,000 Sq. Km.
- Sub stations: 684
- Transmission lines: 28,000 Km., 33KV, 130,000 Km. of 11 KV
- LT lines: 442360 Km.
- Distribution transformers: 1,50,000

### Distribution/supply:
Electricity Supply Companies (ESCOMs)
- Bangalore Electricity Supply Company (BESCOM)
- Mangalore Electricity Supply Company (MESCOM)
- Hubli Electricity Supply Company (HESCOM)
- Gulbarga Electric Supply Company (GESCOM)
- Chamundeshwari Electric Supply Corporation (CESC)

Source: KPCL, KTPCL
Physical infrastructure – Power (2/2)

**Generation: KPCL and IPPs (GMR/Jindal/ Bhoruka)**

- KPCL has an installed capacity of over 8944 MW
- No. of Consumers 15.5 million.
- Plants for another 4,000 MW are in the pipeline
- Independent power producers have installed capacity of over 1,000 MW

**Transmission:**

Karnataka Power Corporation Limited (KPTCL)

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area covered</td>
<td>192,000 Sq. Km.</td>
</tr>
<tr>
<td>Sub stations</td>
<td>684</td>
</tr>
<tr>
<td>Transmission lines</td>
<td>28,000 Km., 33KV, 130,000 Km. of 11 KV</td>
</tr>
<tr>
<td>LT lines</td>
<td>442360 Km.</td>
</tr>
<tr>
<td>Distribution transformers</td>
<td>1,500,000</td>
</tr>
</tbody>
</table>

**Distribution/supply:**

Electricity Supply Companies (ESCOMs)

- Bangalore Electricity Supply Company (BESCOM)
- Mangalore Electricity Supply Company (MESCOM)
- Hubli Electricity Supply Company (HESCOM)
- Gulbarga Electric Supply Company (GESCOM)
- Chamundeshwari Electric Supply Corporation (CESC)

**Power generation and installed capacities**

- Installed capacity
- Central share
- Generation

Source: KPCL, KTPCL
Physical infrastructure – Telecom

• Karnataka has leading telecom companies in the sectors of telecommunication network, basic telephony services (both wire line & wireless) and networking services for telecommunication equipments.

• Entire State is networked via Optic Fibre Cables (OFC) by the State-run BSNL (formerly DOT) as well as private companies like Bharti, Reliance, VSNL and TATA Tele Services.

• Last Mile Access is provided by BSNL as well as TATA Tele Services in various parts of the State. Bharti and Reliance, provide the Last Mile Access directly to the customer in all major cities in Karnataka.

Active telecom service providers in Karnataka

- BSNL
- BhartiAirtel
- Reliance Communication
- Vodafone Essar
- Spice Communication
- Tata Teleservices

Key Statistics (2007)

- Cellular Subscribers: About 10 million
- Internet/broadband
- Subscribers: About 0.8 million
- Telecom towers: About 14,000
Industrial infrastructure (1/2)

- Commerce & Industry Department/ Karnataka Industrial Area Development Board/ Karnataka State Industrial Investment Development Corporation (KSIIDC) spearhead the industrial infrastructure development in the State.
- Directorate of Commerce and Industries has set up district and taluk industrial centres across the State.
- Government of Karnataka is promoting growth of SEZ, with several sector specific SEZs, e.g., for pharmaceuticals & biotech, food processing and agro-based industries at various locations in the state and textile SEZ at Hassan and Coastal SEZ at Mangalore.

Key industrial clusters

- IT/ITES cluster in electronic city and Whitefield (Bangalore).
- Biotech park/cluster in electronic city, Bangalore
- Machine tool cluster at Peenya industrial estate
- Textile cluster at doddaballapur
- Foundry cluster at Belgaum
- Industrial valve cluster at hubli – dharwad,
- Auto component cluster at shimoga,
- Coir clusters at hassan,
- Handicrafts cluster at channapatna,
- Coffee production & processing cluster in madekeri.

SEZ in Karnataka

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Formal approvals</td>
<td>41</td>
</tr>
<tr>
<td>In principle approvals</td>
<td>17</td>
</tr>
<tr>
<td>Notified SEZ (as on Oct 3, 2007)</td>
<td>17 (2 IT/,11 IT/ ITeS, 2 Biotech,1 High Tech Engg.,1 Food Processing)</td>
</tr>
</tbody>
</table>

www.sezindia.nic.in
www.kumbangalore.com
Industrial infrastructure (2/2)

- KSIIDC Industrial Estate
- KIADB Industrial Estate
Social infrastructure - Education

Karnataka possesses:
• 11 universities
• 133 medical colleges
• 134 engineering colleges
• 712 general colleges
• 199 diploma colleges
• 68 MCA colleges
• 61 MBA colleges
• Two universities of agricultural sciences at Bangalore (1965) and Dharwad
• Kannada University at Hampi

Karnataka primary education statistics

<p>| | |</p>
<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Karnataka literacy rate</td>
<td>67.04%</td>
</tr>
<tr>
<td>Male literacy</td>
<td>76%</td>
</tr>
<tr>
<td>Female literacy</td>
<td>57%</td>
</tr>
<tr>
<td>Primary school provision</td>
<td>Population of 200 people</td>
</tr>
<tr>
<td>School enrollment</td>
<td>Class 5-7 increase by five per cent (1991-2002)</td>
</tr>
</tbody>
</table>

Premier institutes in the state

• Indian Statistical Institute (1978)
• Indian Institute of Science (1911)
• Indian Institute of Management (1972)
• National Law School of India University (1987)
• Institute for Social and Economic Change (1972)

Source: educationbangalore.com
Social infrastructure – Health (1/2)

Health infrastructure in the state:
• 293 (176 government) hospitals
• 1,297 primary health centres
• 622 primary health units/ dispensaries
• 7,793 sub-centres
• More than 50,000 beds
• Life expectancy: 67 years

Emergence of health city concept
• Healthcare landscape in Karnataka changing rapidly, corporate and foreign hospitals setting up centres to offer high quality healthcare,
• The health city concept is gaining prevalence, with presence of specialised and scalable healthcare infrastructure, emphasis on medical research, collaboration with industry and healthcare operators and a self sustaining health cluster including hospital, wellness, recreation centres and residential such as Narayana Health City.

Health infrastructure: government initiatives
• Three-tier health infrastructure comprising primary health centres, health units, community health centres and sub-centres state,
• Policy of the government is to establish one primary health centre and one dispensary each for every 30,000 inhabitants and 15,000-20,000 inhabitants respectively.
• A sub-centre for 5,000 inhabitants.
Social infrastructure – Health (2/2)

Premier/super specialty hospitals
- Narayana Hrudayalaya, Bangalore
- MS Ramaiah Hospital, Bangalore
- Manipal Hospital, Bangalore
- Sagar Apollo Hospital, Bangalore
- HOSMAT Hospital, Bangalore
- Vittal Malya Hospital, Bangalore
- Columbia Asia, Bangalore
- Shri Satya Sai Hospital, Bangalore
- Apollo Hospital, Mysore
- Basappa Memorial Hospital, Mysore
- Vikram Hospital, Mysore
- Kasturba Hospital, Manipal
State policy and Incentives
New Industrial Policy (2006-2011)

- New Industrial Policy for the period 2006-2011 with effect from April 2006,
- Aims to achieve a GSDP growth rate of nine per cent per annum and 12 per cent average annual growth over the policy period in the industrial sector, which accounts for 18 per cent of GSDP.

Thrust Areas under New Industrial Policy

- Aerospace, Engineering, Automobile, Machine-tools, Steel, Cement, Pharmaceuticals, Food Processing, Apparel & Textiles, Electronics, IT and Biotechnology.

Incentives and Concessions under the New Industrial Policy of Karnataka

- Capital investment subsidy to SSI in all the areas
- Exemption of Electricity Duty on captive power plants
- Exemption of Stamp Duty and reduction of registration charges in thrust areas
- Waiver of conversion fee for upto 50 acres in thrust areas
- Reduction of 18 on land acquisition charges through KIADB in thrust areas
- Subsidy of upto US$ 0.2 million for setting up of effluent treatment plant in any area
- Entry tax concessions for three or five years on capital goods/raw materials in thrust areas

Industrial Policies in Karnataka

- Karnataka is among the top five industrialized states in the country.
- First to introduce a State Industrial Policy in 1982-1983,
- State Industrial Policy for 2001-2006 witnessed 1,009 proposals being approved with an investment of US$ 33 billion offering potential employment to 16,94,693 persons.
New Infrastructure Policy, 2007

• Main objective is to provide a fair and transparent policy framework to facilitate the process of economic growth and encourage Public Private Partnerships (PPP) in infrastructure,
• Policy is being anchored through a PPP cell in the Infrastructure Development Department,
• Introduction of ‘Swiss Challenge’ framework for bidding,
• Single window agency under Infrastructure Development Department to approve PPP projects of value upto US $ 1.2 million.

Focus Sectors under the New Infrastructure Policy


Incentives and Concessions under the New Infrastructure Policy

| Facilitation: Land acquisition, approval process and utility arrangements at project site, |
| Asset-based support : Government land at concessional rates, viability based land acquisition support, |
| Fiscal : Exemption from entry tax, special entry tax for three years ; concession on stamp duty and conversion rates in thrust areas, |
| Contingent guarantees : ‘Take-or-pay’ or ‘supply-or-pay’ type of guarantees in select cases, |
| Financial support : Sponsor for central Viability Gap Funding and additional state viability gap funding for projects. |
Millennium IT Policy, 2000

- IT to be used as a tool to track beneficiaries for providing rural credit through women self help groups.
- IT to be applied in rural development projects such as provision of drinking water, computerizing Village Panchayats, building management information systems for ZillaPanchayat etc.
- IT sector in Karnataka is estimated to provide employment to one million people.
- Schemes to train people in IT to be implemented at different levels,
- Government has progressed on computerisation of teachers’ payroll accounting system, students’ details, admissions and examinations for higher education, village land records, land registration, Government treasury etc.
- 140 taluks (out of 175) are connected through a fiber optic network.

Incentives and concessions under Millennium IT Policy

- Fiscal: Exemption to IT companies from payment of entry tax on certain capital goods, concession on stamp duty and registration charges, rebate on cost of land,
- Power: Continuous and uninterrupted supply of power at industrial rates,
- Simplified procedures/ laws: Pollution control clearances, urban planning/ zonal regulations, relaxation in labour laws, facilitation through single window agency,
- Financial Support: Venture capital from government for start-ups,
- Infrastructure: IT parks, electronic city, export promotion industrial park, software technology park.

IT Policies in Karnataka

- Karnataka is considered the Silicon State and Bangalore is the IT Capital of India.
- First State to announce an IT policy in 1997,
- Thrust Areas under Millennium IT Policy: IT in Rural Development, human resource development and e-Governance.
Millennium Biotech Policy, 2000

- Government to set up biotech parks in Bangalore and Dharwad; Marine Biotech Park in Karwar.
- Biotech corridor to be developed in Bangalore,
- Other institutions planned such as Centre for Human Genetics, Institute of Agri-Biotechnology,
- Measures to accelerate Human Resource Development through scientific computing and electronic education,
- Strengthening of institutional framework for promoting biotechnology by setting up Karnataka Biotechnology Development Council, Karnataka Biodiversity Committee.

**Thrust areas under Millennium Biotech Policy**

- Genomics
- Biofuels
- Bioinformatics
- Contract research

**Incentives and Concessions under Millennium Biotech Policy**

- Fiscal: Exemption from entry tax on certain capital goods, concession on stamp duty and registration charges, rebate on cost of land, exemption from electricity tax for five years on captive generation,
- Power: Continuous and uninterrupted supply of power at industrial rates,
- Simplified procedures/ laws: Urban planning/ zonal regulations, relaxation in labour laws, single window agency,
- Financial support: Encourage setting up of VCs for biotech industries.
Millennium BPO Policy, 2002

- Policy primarily aims at creating a investor-friendly environment for the Business Process Outsourcing (BPO) sector, utilizing the human resource potential and generating employment opportunities.

- Board for IT Education Standards (BITES) has been established to enhance quality of manpower in IT and BPO sectors. It would assist in training manpower with skills required by BPOs by selecting trainers, vendors and syllabi.

- Government is undertaking initiatives to market non-metro cities in the State as potential BPO destinations.

- A high-powered cell would be created in Karnataka Biotechnology & Information Technology Services (KBITS) to provide relevant information to potential BPO investors.

Incentives and Concessions under Millennium BPO Policy

- Fiscal: Exemption to BPO companies from payment of entry tax on certain capital goods for three years, 50 per cent exemption on stamp duty and registration charges (100 per cent exemption for units established by SSI outside city limits), waiver of land conversion fee to units employing 100 persons and above outside BMRDA limits.

- Simplified procedures/ laws: Exemption from certain requirements under labour laws, facilitation through single window agency, relaxation in procedural requirements.

- Incentives to companies providing basic infrastructure to BPO sector,

- Additional incentives offered for anchor companies.
Karnataka Tourism Policy, 2002-2007

- Thrust areas under the policy: Upscale tourism, heritage tourism, ecotourism, conventions and conferences, exhibitions, cruises and theme parks,

- State Tourism Council, State Level Coordination Committee & District Tourism Council set up to facilitate implementation of tourism policy,

- Department of Tourism (DoT) to prepare comprehensive development plan for development of major tourist spots and infrastructural plans, outlay of US$ 30 million, for providing connectivity and common facilities.

- Encourage private participation in all tourism-related activities,
  Promote eco-tourism, adventure sports,
  Development of travel circuits like Badami-Aihole-Patta dakal circuit and coastal circuit in North Canara,

- Bangalore to be developed as a major tourist destination through adventure sports and high-end accommodation

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**Incentives and Concessions under Karnataka Tourism Policy**


- Fiscal: Entry tax exemption during implementation for three years, waiver of land conversion fee, luxury tax charged on actual room tariff paid above US$ nine with a cap of 10 per cent, entertainment tax exemption of 100 per cent for first three years and 75 per cent for next two years for I-Max theatres, tax on aviation turbine fuel reduced to four per cent, underwriting of 50 per cent of tickets of private airlines for initial period of three years, motor vehicle tax on inter-state tourist vehicle to be rationalised on reciprocal basis, 50 per cent exemption on stamp duty for investment below US$ 12 million and 100 per cent exemption for above US$ 12 million, concessional registration charges,

- Asset-based support: Government land offered at 50 per cent of market value.
Karnataka Textile Policy 2008-2013

- The new textile policy named as ‘Suvarna Textile Policy’ (2008-2013), expects to attract new investments to the tune of US$ 2.4 billion over a period of five years.
- The policy envisages setting up of textile and apparel parks in various districts of the state with the target of creating 500,000 new job opportunities.
- Government piping in with a subsidy of US$ 122 million during the five year period,
- Karnataka Industrial Area Development Board (KIADB), has started acquiring land for the envisaged parks and the acquisition process is expected to be completed in a few months time,
- First phase of the apparel park at Doddaballapur completed and work on second phase adjoining the first one would be completed soon,
- KIADB to allot land for the proposed Hi-tech Silk Weaving Park at Anekal in Bangalore rural district,
- Textile parks have been proposed to be set up in districts of Belgaum, Mysore, Davangere and Ramanagaram. A textile park has been planned for Gulbarga district too, but the extent of land required has not been finalized, said the textile minister.
- With this policy, the state would emerge as a major garment sourcing destination worldwide leading to a doubling of exports which currently stood at US$ 1.6 billion and accounted for 20 per cent of all textile and apparel exports from India.
- Readymade garments, power-looms, textile machinery manufacturing, handlooms and knitting units to receive special attention under the policy.
Business Opportunities
Information Technology (IT) and IT-enabled service (1/2)

• Karnataka has been the forerunner in the IT/ITeS space owing to an appropriate ecosystem for knowledge driven industries including proactive government, sector friendly policies and large pool of skilled manpower.

• Bangalore is among the five largest technology hubs in the world.

• Karnataka’s share in national exports is more than 35 per cent, IT/ITeS export growth rate at about 30 per cent,

• Karnataka has over 1200 operational companies in the IT/ITeS space (2006) employing over 0.4 million professionals,

• Presence of almost all the leading IT companies in the world including Infosys, Wipro, TCS, Oracle, Dell, IBM, Microsoft, Accenture, Cognizant and several others,

• About 50% of the world’s SEI CMM Level 5 certified companies are located in Bangalore.

• Yahoo is planning to launch a new R&D lab in Bangalore called Yahoo Labs

### Emerging IT Destinations

<table>
<thead>
<tr>
<th>Location</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mysore</td>
<td>49 STPI registered companies with an export of US$ 185 million during 2006-2007, which is a 250 per cent growth against the exports in 2004-2005.</td>
</tr>
<tr>
<td>Mangalore</td>
<td>24 STPI registered companies with exports of US$ 166 million during 2006-2007</td>
</tr>
<tr>
<td>Hubli</td>
<td>13 STPI registered companies with an export of about US$ 2.1 million</td>
</tr>
</tbody>
</table>
Information Technology (IT) and IT-enabled service (2/2)

Karnataka Vs National software export

Source: STPI, Bangalore
Biotechnology (1/2)

Biotechnology opportunity

• Karnataka is home to 60 per cent of biotechnology related companies in India (April 2008).

• Bangalore’s biotech companies maintained 35 per cent growth rate with investment of US$ 250 million in 2007-2008.

• Bangalore’s bio-cluster alone has 200 diverse companies

• Karnataka has a headcount of over 6800 scientists involved in biotech research.

• India’s largest biotech company, Biocon, is based in Bangalore.

• Presence of premier Life Sciences institutions such as Indian Institute of Science, Jawaharlal Nehru Centre for Advanced Scientific Research etc.

• Favorable institutional framework—Vision Group on Biotechnology to advise government on policy issues, 17 task forces for biotech related areas.

• Karnataka government plans to set up a 15-acre Nano Park in Bangalore with investments of US$ 25 million in the first phase of a two-phase nano centre.

Upcoming projects

• Bangalore Helix, a world class Biotech Park, involving an investment of over US$ 24.4 million, is being developed under a PPP framework,

• Three SEZs for biotechnology – two in Bangalore and one in Mysore,

• SEZ spread over 700 acres for pharma and biotechnology at Hassan (at conceptual stage).
### Biotechnology (2/2)

Select major biotech companies in Karnataka:
- Accelrys Inc.
- Advanta India Ltd.
- AstraZeneca
- AvesthaGengraine Technologies Pvt. Ltd
- Aurigene Discovery Technologies Ltd.
- Biocon
- ReaMetrix India Pvt. Ltd
- Strand Genomics
- Syngene International
- Xcyton
### Other prominent industries (1/3)

#### Engineering industry

- Strong engineering base with several PSUs, large and medium privately owned units and widely dispersed small scale units,
- Engineering exports increased from over US$ 243 million in 2002 to over US$ 500 million in 2005 and constitutes about four per cent of exports from the state,
- Bharat Earth Movers Ltd, Hindustan Machine tools, Ltd. and Bharat Heavy Electricals Ltd. are among the leading companies in this sector in the state; the combined turnover of the three companies are in excess of US$ five billion.

#### Electronics industry

- Leader among Indian states in the electronic and telecommunications industry, boasting of as many as 300 leading international companies,
- Several public sector electronics companies and defence research institutions based in Bangalore,
- Excellent telecom infrastructure with 140 out of 170 towns connected by OFC network,
- Hardware Technology park of 1,200 acres proposed at Devenhalli near international Airport and also one at Mysore.
- Hardware exports have increased by 40 per cent to US$ 605 million in 2005-2006 from US$ 432 million a year ago.
Other prominent industries (2/3)

Automobile and auto components industry

- Vibrant auto industry with investments of over US$ 713 million and annual turnover of US$ 489 million,
- Of the total 201 listed auto ancillary firms in India, 10 are based in Karnataka.
- In 2003-2004, revenues from the state’s auto sector stood at about US$ 604 million.
- State Government has set up many Auto Parks at Bidadi, Bangalore, Shimoga, Dharwar housing automobile ancillary and servicing units.
- General Motors has invested US$ 21 million to set up a technical centre in Bangalore.
- Toyota, Volvo, TVS Motors have set up vehicle manufacturing units in Karnataka, which has led to growth of ancillary units involved in tyre manufacturing, bearings and other auto spare parts in the Bangalore-Hosur region.

Agro & food processing

- Several leading multinational food companies like Unilever, Britannia, ITC, Nestle, Nissin, Pepsi, Coco-Cola, Heinz, among others, have manufacturing facilities in the State.
- State accounts for 70 per cent of the country’s total coffee production (206 million tonnes in 2006-2007).
- State ranks second in the production of flowers; also one of the leading producers of fruits and vegetables.
- Horticulture accounts for over 40 per cent of the State’s agricultural income and contributes 17 per cent to GSDP.
- State promoted an SPV, Food Karnataka Ltd. (FKL) in 2004 to attract private investments in six proposed food parks across the state.
Other prominent industries (3/3)

Textile and apparel industry

- Producer of 70 per cent of India’s silk; major apparel sourcing destination for the global market,
- Companies such as Gokaldas Exports (Bangalore) supply apparel to major global fashion labels.
- Promising future of the sector with the Apparel Park at Dodaballapur near Bangalore and other mega Textile Parks in other parts of the state.
- Exports of over US$ 860 million in 2003-2004, making it the second largest garments exporter in India.
- There are about 1,800-2,000 textile and garmenting units in Bangalore and nearby textile clusters.
- In July 2008, the Karnataka Government proposed to establish 11 textile parks to give a boost to the textile industry in the state.
- Bellary district with a proposed 175 acre apparel park is an emerging centre for textiles in Karnataka specialising in denim based garments.
## Key players: IT/ITeS

<table>
<thead>
<tr>
<th>Company</th>
<th>History</th>
<th>Revenue Growth</th>
<th>Service Areas</th>
<th>Operations</th>
<th>Alliances</th>
<th>Capacity</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infosys</strong></td>
<td>Set up in 1981.</td>
<td>Revenues of US$ 4.18 billion in 2007-08 recording a 35 per cent growth over revenues of US$ 3.12 billion in 2006-2007.</td>
<td>Areas of IT consulting, modular global sourcing, process re-engineering, and BPO services.</td>
<td>Has operations in Australia, China and US.</td>
<td>Marketing and technological alliances with FileNet, IBM, Intel, Microsoft, Oracle etc.</td>
<td>Capacity of over 60,000 seats and is in the process of adding another 30,000 seats.</td>
<td>Has operations at multiple locations in Bangalore and Mysore in Karnataka.</td>
</tr>
<tr>
<td><strong>Wipro</strong></td>
<td>Established in 1945.</td>
<td>Revenues of US$ 4.97 billion in 2007-08 recording a 36 per cent growth over revenues of US$ 3.56 billion in 2006-2007.</td>
<td>Areas of IT services, product engineering, technology infrastructure services, BPO and other consulting solutions.</td>
<td>Provides services such as application development, deployment &amp; maintenance, business intelligence, CRM.</td>
<td>Based out of Bangalore, the company has 54 development centres and 30 offices spread across India, N. America, Middle East and Europe.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Genpact</strong></td>
<td>Set up in 1997.</td>
<td>Formerly known as GE Capital International Services.</td>
<td>The company has recorded a turnover US$ 600 million during 2006.</td>
<td>Provides a wide range of business process, technology and knowledge services, including Finance &amp; Accounting, Collections &amp; Customer Relations, Insurance, Procurement &amp; Supply Chain, Analytics, Software, IT-Infrastructure.</td>
<td>Presently the company employs about 20,000 professional. Bangalore centre has about 1500 employees.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accenture</strong></td>
<td>Set up in 1997.</td>
<td>Accenture India, the wholly-owned subsidiary of the $16.65-billion global management consulting and outsourcing firm.</td>
<td>Total 35,000 employees; 10,000 in the BPO (business process outsourcing) space and the remaining 25,000 people in the business consulting and systems integration and technology divisions to serve global clients.</td>
<td>Bangalore operations has three centres with around 8,000 employees.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Key players: Biotechnology/ Pharmaceuticals

**Biocon**
- Set up in 1981.
- Areas of IT consulting, modular global sourcing, process re-engineering, and BPO services.
- Has operations in Australia, China and US.
- Marketing and technological alliances with FileNet, IBM, Intel, Microsoft, Oracle etc.
- Capacity of over 60,000 seats and is in the process of adding another 30,000 seats.
- Has operations at multiple locations in Bangalore and Mysore in Karnataka.

**Astra Zeneca**
- Established in 1979.
- Revenues from Indian operations for the year ended Dec 2006 were about US$ 73 million.
- Involved in the areas of manufacturing bulk drug chemicals, liquid formulations, tablets & capsules, injectibles and ointments for various disease segments such as cardiovascular, respiratory, maternal healthcare etc.
- Manufacturing plant over a 70 acre plot located at Yelhanka in Bangalore.
- R&D centre on an area of about 1 million square feet in Bangalore.

**Himalaya Drug Company**
- Founded in 1930.
- Set up a manufacturing plant in 1975 at Makali at Bangalore, which is the present corporate headquarters.
- Turnover of the company was about US$ 35 million (2006-2007).
- Its health and personal care products are available in 60 countries.
- First ayurvedic facility to get Good Manufacturing Practices (GMP) certification in the country.
- The company is eyeing contract farming in Karnataka for sourcing herbs, the core ingredients in herbal drugs.

**Avesthagen**
- Established in 1998.
- Discovery based life sciences company focussing on achieving convergence between food, pharmacy and population genetics leading to preventive personalized medicine.
- Established world class, state-of-the-art laboratory facilities at the International Tech Park in Bangalore.
- Around 200 employees in Bangalore centre.
<table>
<thead>
<tr>
<th><strong>Siemens India</strong></th>
<th><strong>Philips Software</strong></th>
<th><strong>Texas Instruments</strong></th>
<th><strong>IBM</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Incorporated in 1957 in India.</td>
<td>• Philips Software, wholly owned subsidiary of Philips Electronics N.V., termed as Philips Innovation Campus was set up at Bangalore in 1996.</td>
<td>• A subsidiary of Texas Instruments, USA, it set up its office in India in 1985.</td>
<td>• Initially set up in India in 1939 and reentered India in 1992.</td>
</tr>
<tr>
<td>• In India, Siemens is involved in electrical and electronics engineering.</td>
<td>• Involved in various capacity augmentation programmes of other Philips group companies such as in Singapore, Austria, Belgium, Holland etc.</td>
<td>• First MNC to set up R&amp;D facility in India,</td>
<td>• Provides integrated hardware, software, business consulting and IT solutions,</td>
</tr>
<tr>
<td>• Some of the products manufactured are switch gears, electric motors, generators, control boards, X-ray equipments etc.</td>
<td>• Involved in software development related to consumer electronics, medical systems, intellectual property, applied technology and business application services.</td>
<td>• Around 1,200 employees and a turnover of over US$ 100 million,</td>
<td>• IBM comprises two wholly-owned subsidiaries, IBM India and IBM Global Services, contributing revenues of over US$ 350 million,</td>
</tr>
<tr>
<td>• Revenues from Indian operations were over US$ 2.25 billion during the year 2007.</td>
<td></td>
<td>• TI has the highest number of patents.</td>
<td>• Around 50,000 employees across various centres in India.</td>
</tr>
<tr>
<td>• Based out of Mumbai, the company has plants in Aurangabad, Nasik, Kalwa, Vadodra and Goa.</td>
<td></td>
<td>• System –on chip Centre of Excellence at Bangalore.</td>
<td>• 15,000 employees are working across five centres in Bangalore.</td>
</tr>
<tr>
<td>• Unit for switch gear items and a company, Siemens Information Systems Limited at Bangalore for system integration.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Key players: public sector undertakings

#### Bharat Electronics
- Bharat Electronics Limited, a multi-product, multi-unit, multi-technology company was incorporated in 1954.
- Government holds more than 75 per cent.
- Revenue of about US$ 0.92 billion during 2007-2008.
- Products manufactured by the BEL mainly categorized as defence and non-defence products.
- Registered office is at Bangalore. Plants are located in different parts of Karnataka and other industrialized states.
- Units of BEL in Karnataka are primarily focussed on professional grade electronics equipment.

#### Hindustan Machine Tools
- Established in 1953.
- Involved in various types of machine tools including bearings, watches, tractors, food processing machines, heavy machine tools etc.
- HMT has plants in Karnataka, Punjab and Haryana.

#### Bharat Earth Movers
- Set up in 1954, BEML manufactures a wide range of products such as earth moving equipments.
- Revenues of about US$ 634 million.
- BEML's registered office is at Bangalore in Karnataka. and units are at Kolar Gold Fields, Mysore and Bangalore.
- BEML exports machines to countries in Europe, Africa and the Middle East.

#### BHEL
- Incorporated in 1964, Bharat Heavy Electricals Limited (BHEL), a Central Government undertaking,
- Largest engineering and manufacturing enterprise in India in the power and industrial machinery segment,
- Revenue of around US$ 4.8 billion in 2006-2007,
- BHEL manufactures electric meters and power devices at Bangalore.
- 14 manufacturing divisions, four Power Sector regional centres, eight service centres and 18 regional offices.
Key players: manufacturing/processing

Asea Brown Boveri
• Incorporated in 1949,
• Offers a wide range of products and services within power & automation technologies including Control Systems,
• Revenues about US$ 1.428 billion in 2007,
• Registered office of ABB is at Bangalore in Karnataka and its plants are located at Bangalore, Faridabad, Mumbai, Nashik, and Vadodara,
• At Bangalore, ABB manufactures switchgears, turbochargers, motors, PLCG equipments, transformers etc.

JSW Steel
• Incorporated in 1994, JSW Steel is today a fully integrated steel plant producing pellets to colour coated steel,
• Based in the rich iron ore belt of Bellary-Hospet in Karnataka, it is engaged in the manufacture of galvanized steel products.
• Revenue of JSW steel was about US$ 2.78 billion during year 2007-2008.
• JSW Steel has plants located at Toranagallu in Karnataka as well as Vasind and Tarapur in Maharashtra.
• The Karnataka plant has a capacity of over 2.5 million tonnes of hot rolled coils.

Mangalore Refineries and Petrochemicals
• Set up in 1988; acquired by ONGC during 2003-04,
• Engaged in oil refining and manufacturing of petroleum products like furnace oil, air turbine fuel, motor spirit, naphtha, LPG, etc.
• Fifth largest refinery company in India, MRPL generated a turnover of US$ 8.15 billion in 2006-2007.
• Commenced its commercial operations at its refinery located in Mangalore with a capacity of three MTA. Today, MRPL has a capacity of 9.7 MTA and plans to expand capacity to 15 MTA,

United Breweries
• Based in Bangalore, India’s largest brewer and the second largest in the world.
• Company has recorded a turnover of US$ 37 million in 2007.
• The Group has around 2000 employees.
• Manufactures primarily under the brands Kingfisher, London Pilsner, and UB Premium Ice,
• UB has a distillery 235 million liters capacity .
• Group is also into the aviation sector and owns the Kingfisher Airlines.
• The Mangalore Chemicals and Fertilizer Limited also forms a part of the group.
Investments in Karnataka (1/2)

Overall Investments and implementation ratios:

- One of the major investment destinations for industrial and infrastructure projects,
- Major investments primarily in IT/ITeS, steel, petrochemicals, engineering, electronics, textiles & apparels, transport & urban infrastructure,
- Karnataka's electronics industry witnessed positive growth during April-September 2008, with five to seven per cent increase in production and seven per cent increase in sales,
- About 148 mega projects with investments of US$ 28 billion approved during 2001-2006,
- 66,092 small and medium projects (upto US$ 12 million of investment per project) with investments of about US$ 5 billion approved during 2001-2006,
- US$ 365.7 million investment in Steel in 2008,
- Ranked fourth in terms of total projects investment in India,
- Outstanding investment of US$ 38.52 billion in 1,308 projects under various stages of planning and implementation, towards end of 2006,
- Implementation ratio of 43.3 per cent, comparable to national average of 44.0 per cent.
Investments in Karnataka (2/2)

Foreign Direct Investments (FDI)

- Healthy FDI inflow over the years primarily in sectors related to IT/ITeS, automobile & auto-components, Engineering & Electronics.
- 2,726 proposals (8.7 per cent of all FDIs) with investments of over US$ 6.2 billion estimated to be approved by the State,
- US$ 1.2 billion of FDI (17.5 per cent of FDI in India) approved for Karnataka in 2006-07.

Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

- 16 projects worth US$ 346 million approved during 2006-2007 for development of urban and tourism infrastructure.
- US$ 1.2 billion earmarked for 2007-2008 to be approved, based on merits of proposals from the state government.

Source: KUIDFC
## Key investments

<table>
<thead>
<tr>
<th>Promoter</th>
<th>Project</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mangalore Refinery &amp; Petrochemicals Ltd.</td>
<td>Mangalore refinery - expansion</td>
<td>Petroleum products [refinery]</td>
</tr>
<tr>
<td>Krishna Bhagya Jala Nigam Ltd.</td>
<td>Upper Krishna irrigation</td>
<td>Irrigation</td>
</tr>
<tr>
<td>Bangalore Metro Rail Corpn. Ltd.</td>
<td>Bangalore metro rail - phase I</td>
<td>Railways</td>
</tr>
<tr>
<td>Government of Karnataka</td>
<td>SEZ for IT hardware</td>
<td>Sez/epz</td>
</tr>
<tr>
<td>Nagarjuna Power Corp. Ltd.</td>
<td>Mangalore power</td>
<td>Coal/lignite-based power</td>
</tr>
<tr>
<td>Karnataka Power Corp. Ltd.</td>
<td>Bidadi power</td>
<td>Gas-based power</td>
</tr>
<tr>
<td>Government of Karnataka</td>
<td>Hemavathi irrigation</td>
<td>Irrigation</td>
</tr>
<tr>
<td>Bangalore Water Supply &amp; Sewerage Board</td>
<td>Cauvery water supply scheme stage IV phase II</td>
<td>Water and sewerage pipeline and distribution</td>
</tr>
<tr>
<td>Bangalore Water Supply &amp; Sewerage Board</td>
<td>Water supply scheme (Bangalore)</td>
<td>Water and sewerage pipeline and distribution</td>
</tr>
<tr>
<td>Nuclear Power Corporation of India Ltd.</td>
<td>Kaiga atomic power stage II</td>
<td>Nuclear-based power</td>
</tr>
<tr>
<td>Bidadi</td>
<td>9000 acres integrated satellite township</td>
<td>Real estate</td>
</tr>
<tr>
<td>New International Airport- Devenhalli</td>
<td>International airport</td>
<td>Airport</td>
</tr>
<tr>
<td>Mineral Enterprise Limited</td>
<td>Steel plant</td>
<td>Mining</td>
</tr>
<tr>
<td>Hothur Steels</td>
<td>Steel plant</td>
<td>Mining</td>
</tr>
</tbody>
</table>
Investments approvals (2006)

Multiple project approvals in 2006

- 40 large industrial proposals with total investment potential of US$ 15.33 billion including 9 new SEZs for IT & ITES (taking the total SEZ tally from Karnataka to 41) cleared by State High-Level Committee,
- Upto August 2006, Committee had cleared 285 projects proposing total investments of US $ 1.31 billion.
- Latest approvals:
  - New and expansion projects of MRPL
  - Cement plants by Jaykaycem, ACC, JSW and Ultratech
  - US$ 17 million inter-modal logistics plan by Shipco Infrastructure
- A US$ 50 million centre for SME development and training at Dharwad proposed by JSS MahavidyaPeetha,
- Key clearances in 2006
  - Proposals by MRPL: US$ 7.32 billion for new refinery at Surathkal and US$ 1.94 billion for expansion
  - Adarsh Prime Projects: US$ 1.44 billion IT/ITES SEZ in Bangalore;
  - ShapoorjiPallonji: US$ 1.41 billion for IT hardware SEZ in Bangalore;
  - Bagamane Developers: US$ 380 million for two IT/ITES SEZs in Bangalore;
  - Total Environment: US$ 630 million for IT SEZ in Bangalore;
  - ITASCA Software: US$ 280 million for IT/ITES SEZ in Bangalore;
  - JSW Cement: US$ 100 million for cement plant in Bellary;
  - ACC: US$ 240 million for two cement plants ;
  - QuEST: US$ 30 million for IT SEZ in Hubli
  - Heritage Golf: US$ 60 million for golf course cum hotel in Mysore
Investments approvals (2007)

Karnataka clears US$ 15.51 billion worth investment projects

- Infrastructure and industrial projects approved by Government of Karnataka – US$ 15.51 billion,
- Other projects cleared by state high-level committee on investments
- 10 IT/ITES (it-enabled services) SEZs
- 16 IT/BT (biotech) parks
  - 7 sugar mills
  - 5 steel projects
  - 4 tourism projects
  - 1 electronics hardware SEZ
- Proposed investments in textiles, aviation, cement sectors and co-generation of power,
- 59 industrial and infrastructure projects are expected to

- create employment for about one million skilled and semi-skilled youth.
- Jupiter Aviation to set up aviation training academy and inland container depot at Hassan - investment of US$ 150 million.
- Arihant Ispat Ltd. to set up a 100,000-tonne steel plant in Bellary district at a cost of US$ 60 million.
- Srirama Steel Holdings to invest US$ 110 million on a sponge iron plant in Bellary district.
- Dhruvadesh Metal Steels Ltd. to set up a mini steel plant in Koppal district with an investment of US$ 40 million.
Investments approvals (2007)

Surge in real estate/ large integrated townships in Karnataka (news reports: September 2007)

• US$ 6.1 billion investment in 11 integrated townships for IT, BT and ITES sectors - in progress in Bangalore,

• Green signal to 11 local, national and international developers to set up mega townships,

• IT-related real estate proposals spread over 100 and 200 acres each, to be set up at Sarjapur Road, Whitefield, Magadi and Bidadi, with estimated spend of US$ 490 – 730 billion cleared by state high-level committee.
Investments approvals (2008)

Investment projects

- Karnataka government has given go-ahead to 25 industrial projects worth US$ 7.5 billion.
- Steel plant project of US$ 1.5 billion to be completed by Bharat Mines and Minerals Ispat Ltd. (BMMIL) in Bellary,
- Indian Strategic Petroleum Research Project of US$ 304 million will be set up by the Oil Industry Development Board (OIDB) of Union petroleum ministry. It would be set up in 160 acres of land in Mangalore.
- Clearance to SEZ proposal near Bangalore by Gulf Oil Corporation,

- Biotech SEZ to be setup by Gopalan Enterprises,
- A special hi-tech hospital to come up near Bangalore, by NarayanaHrudhayala (Bangalore-based health major),
- Government aims to provide employment to 2.5 lakh persons by implementing these projects.
Exports profile (1/2)

**Karnataka IT/ITES exports: 2006-2007**

- Karnataka’s exports have touched US$ 32.4 billion with the information technology and biotechnology sectors on the forefront.
- IT and BT sectors account for exports amounting to US$ 18.25 billion.
- Software exports to touch US$ 17.6 billion from 2007 to 2008,
- Three major commodities that registered high export growth in 2007-2008 are petroleum and petroleum products (US$ 240 million), iron ore and minerals (US$ 2,480 million) and gems and jewellery (US$ 2,370).
Exports profile (2/2)

Export Trends in Karnataka

<table>
<thead>
<tr>
<th>Year</th>
<th>US $ (Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>26</td>
</tr>
<tr>
<td>2005-06</td>
<td>20</td>
</tr>
<tr>
<td>2004-05</td>
<td>15</td>
</tr>
<tr>
<td>2003-04</td>
<td>10</td>
</tr>
</tbody>
</table>
Doing Business
## Approval Authorities

| Department of Industries and Commerce (DIC) | • Anchor department for development/ establishment of industries in Karnataka,  
                                 • Responsible for formulating and implementing industrial policies in the State. |
| District Industries Centres | • Nodal agencies for approval of projects at district level,  
                                 • Jurisdiction for approval includes projects with expected project value less than US$ 0.73 million. |
| District Level Single Window Clearance Committee (DLSWCC) | • Functions under chairmanship of respective Deputy Commissioners for industrial projects for investments less than US$ 0.73 million. |
| State High Level Clearance Committee (SHLCC) | • Functions under chairmanship of Chief Minister with representations from ministers and officers of all concerned departments for projects involving investment of more than US$ 12.2 million. |
| State Level Single Window Clearance Committee (SLSWCS) | • Functions under chairmanship of Principal Secretary (DIC) with representations from key departments (US$ 0.73 – 12.20 million). |
| Karnataka UdyogMitra (KUM) | • Single point contact for investors in the state,  
                                 • Considers/ forwards proposals to concerned agencies & communicates status to investors,  
                                 • Monitors implementation of approved projects,  
                                 • Single point contact for information on various aspects including, land availability, statutory approvals and coordination. |
| Other Concerned departments | • Various departments responsible for sectoral growths such as Department of Tourism, Department of Information Technology and Biotechnology, Department of Food Processing, Department of Textiles, Department of Mines & Geology. |
Approval process

Stage 1 Clearance of the project/Industry
(40 days from application date)

State level single window agency
(Large/mid size industries US$ 0.73 – 12.2 mn)

High level clearance committee
(Mega industries > US$ 12.2 mn)

Karnataka UdyogMitra
(Department of commerce and industries)

Other concerned departments
(sector specific)

District industries centre
(tiny industries < US$ 0.73 mn)

Investor

Stage 2 Clearance
(3-4 months)

KIADB
(land acquisition)

KSPCB
(Pollution board)

KPTCL
(Electricity/power)

Inspectorate of factories and boilers

Commercial tax

Land conversion

BWSSB / KUWSDB
(Water supply)

Source: Karnataka UdyogMitra, Department of Industries & Commerce
### Key approvals required

<table>
<thead>
<tr>
<th>List of approvals and clearances required</th>
<th>Departments to be consulted</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prior to setting up the unit</strong></td>
<td></td>
</tr>
<tr>
<td>Registration</td>
<td>Commerce and industries department, Karnataka UdyogMitra (Single window Ageny)</td>
</tr>
<tr>
<td>Allotment of land/shed</td>
<td>Karnataka Industrial Areas Development Board</td>
</tr>
<tr>
<td>Permission for land use</td>
<td>District authorities</td>
</tr>
<tr>
<td>No objection certificate under water &amp; air act</td>
<td>Karnataka State Pollution Control Board</td>
</tr>
<tr>
<td>Approval for construction activity and building plan</td>
<td>Development authority/urban local body</td>
</tr>
<tr>
<td>No objection certificate</td>
<td>Fire department and directorate of factories and boilers</td>
</tr>
<tr>
<td>Provisional trade tax registrations</td>
<td>Central and state excise departments</td>
</tr>
<tr>
<td>Registration under central sales tax act</td>
<td>Central and state excise departments</td>
</tr>
<tr>
<td><strong>Before commencement of production</strong></td>
<td></td>
</tr>
<tr>
<td>No objection certificate under of water and air act</td>
<td>State pollution control board</td>
</tr>
<tr>
<td>No objection certificate</td>
<td>Fire department and directorate of factories and Boiler</td>
</tr>
<tr>
<td>Permanent trade tax registration under</td>
<td>Central and state excise departments</td>
</tr>
<tr>
<td>Registration under central sales tax act 1956</td>
<td>Central and state excise departments</td>
</tr>
<tr>
<td><strong>After commencement of production /activity</strong></td>
<td></td>
</tr>
<tr>
<td>Registration</td>
<td>Commerce and industries department and respective sector departments such as IT/BT/Tourism etc.</td>
</tr>
</tbody>
</table>
## Average cost of doing business

<table>
<thead>
<tr>
<th>Sector</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manufacturing</strong></td>
<td></td>
</tr>
<tr>
<td>Industrial land price (US$ /Sq. mt.)</td>
<td>40 – 60</td>
</tr>
<tr>
<td>Labor (US$/man year)</td>
<td>1,200 – 1700</td>
</tr>
<tr>
<td>Lease rent (US$/Sq. mt./month)</td>
<td>4 – 7</td>
</tr>
<tr>
<td><strong>Average electricity (US cents)</strong></td>
<td></td>
</tr>
<tr>
<td>Commercial</td>
<td>9 per kWh</td>
</tr>
<tr>
<td>Industrial</td>
<td>8 per kVAh</td>
</tr>
<tr>
<td><strong>Office space rent (US$/Sq. mt. /month)</strong></td>
<td>6 – 15</td>
</tr>
<tr>
<td><strong>Residential rent (US$/3 bedroom flat/month)</strong></td>
<td>200 – 750</td>
</tr>
<tr>
<td><strong>Five-star hotel room (US$ per night)</strong></td>
<td>200 – 450</td>
</tr>
</tbody>
</table>
Business Climate

Proven track record
- Among the highest FDI inflows
- Overall investments and conversion ratios
- Proactive sector policies
- Optimal mix of opportunities – services, manufacture, mining, agriculture etc.

Presence of vibrant eco-system for the industry
- Skilled workforce for knowledge-based industries and other processing sectors
- Among the highest technical/medical institutes in the country
- Strong backbone of research institutions across sectors with efficient industry interface

- Investor-friendly government and favorable policies
- Pleasant and salubrious weather and ample tourism opportunities

Continuously expanding industrial and urban infrastructure
- Industrial estates / SEZs and sector based parks
- Commuter infrastructure and basic urban infrastructure

New opportunities
- Large-scale integrated townships
- Various infrastructure and industrial projects under public private partnership framework
Advantage Karnataka

• Leads the IT industry with IT and ITeS exports of over US$ 12.6 billion in 2006-2007,
• Science capital of India with more than 100 R&D centres.
• Produces largest number of doctors, engineers and medical technicians in the country,
• Preferred destination of multinational corporations with more than 150 companies,
• Contributes to over 5.5 per cent of country’s GDP,
• Contributes to 70 per cent of coffee production and 70 per cent of silk production in India,
• Major source of processed food products with exports worth US$ 408.16 million.
• Produces over 20 per cent of India’s electronic hardware,
• Major apparel sourcing centre with exports worth US$ 714.28 million,
• Accounts for 50 per cent of the seed production of the country,
• Leads the Indian biotechnology industry.
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