

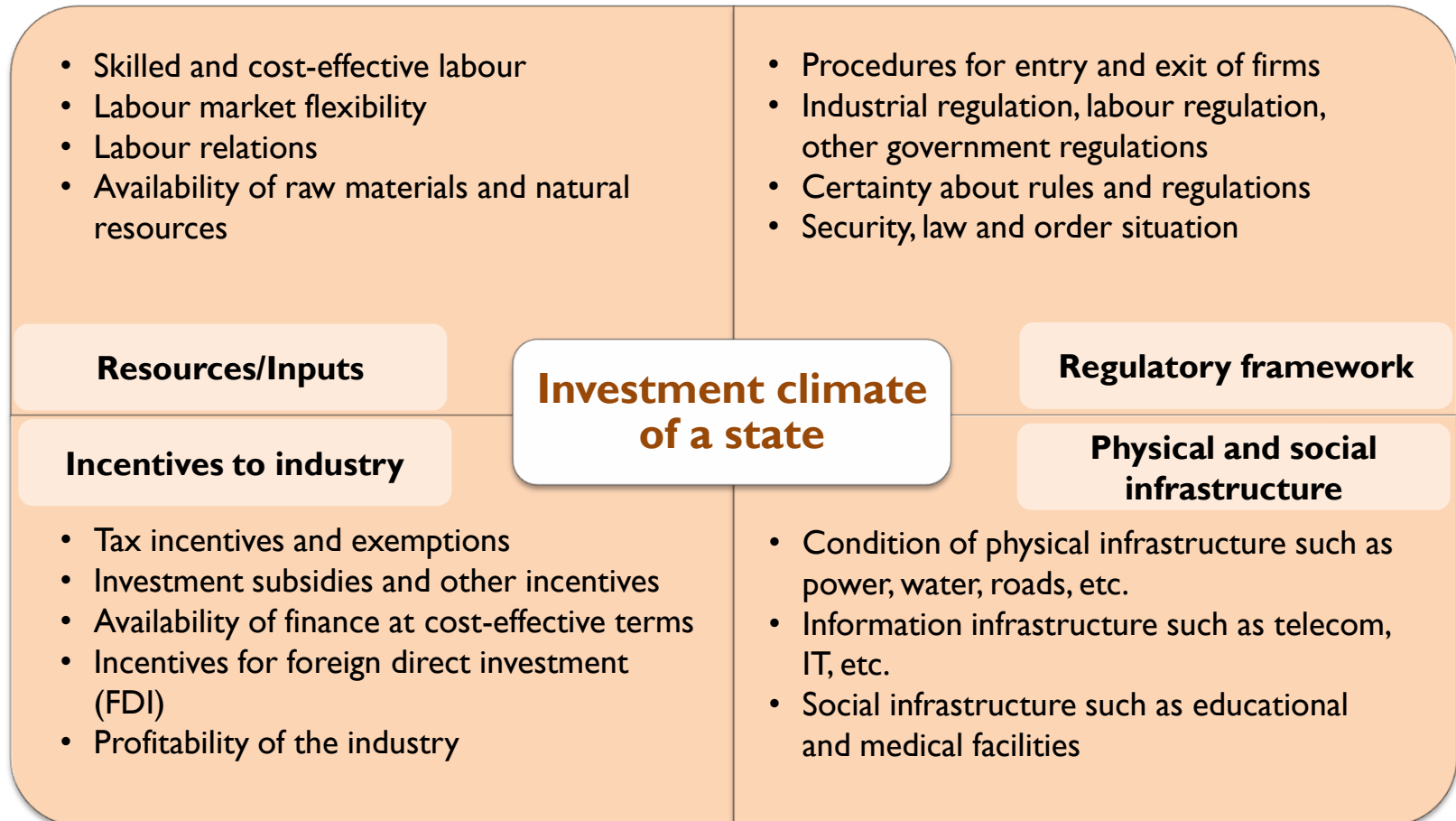


# KARNATAKA

September 2009



## Investment climate of a state is determined by a mix of factors

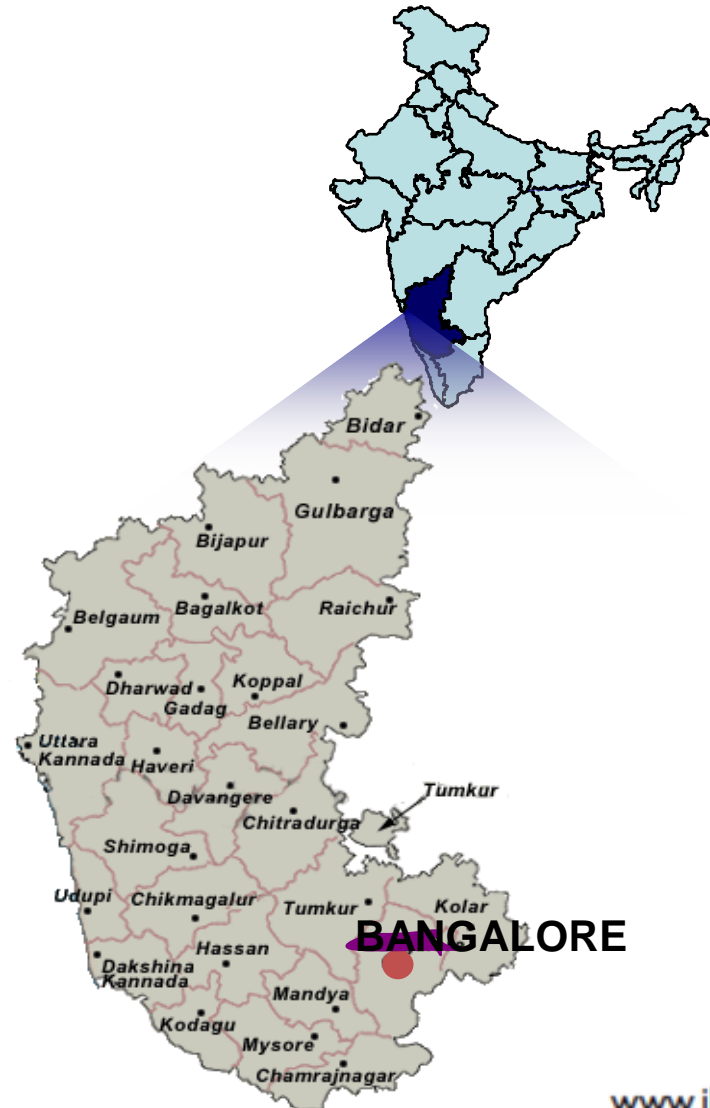


## The focus of this presentation is to discuss...

- ❖ State economy and socio-economic profile
- ❖ Infrastructure status
- ❖ State policy and incentives
- ❖ Business opportunities
- ❖ Doing business in Karnataka

## 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.
- The state occupies an area of 191,791 sq kms (5.83 percent of India).
- As its borders, the state has 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.
- Its administrative and financial capital is Bengaluru.
- As per Census 2001, Hubli-Dharwad, Mysore, Gulbarga, Belgaum and Mangalore are the five large cities in terms of population after Bengaluru.



## Socio-economic snapshot

Parameters	Karnataka
Capital	Bengaluru
Geographical area	191,791 sq kms
Administrative districts	29 districts
Population density	276 persons/ sq kms
Population (Census 2001)	52.85 million
Male	26.89 million
Female	25.95million
Sex ratio	965 females per 1000 males
Population growth rate 1991-2001	17.25 percent
Projected population (2008)	57.39 million
Literacy rate (Census 2001)	67.04 percent
Male	76.29 percent
Female	57.45 percent
Average life expectancy	64 years

Source : Economic Survey of Karnataka 2008–2009, Directorate of Economics and Statistics, Appendix I

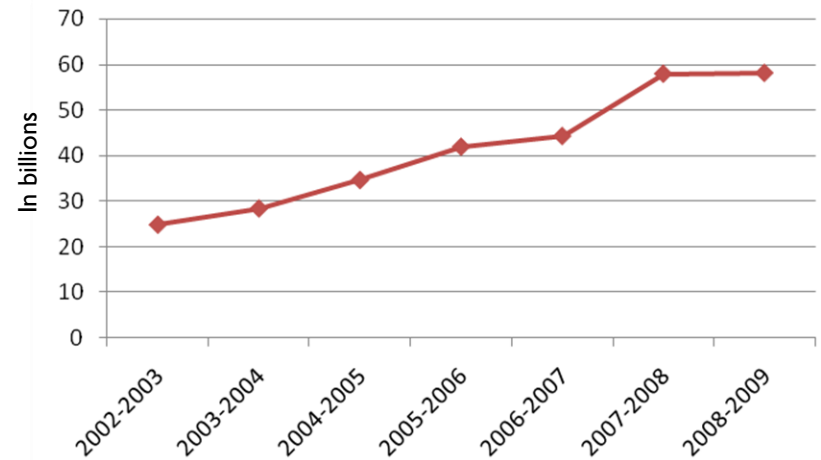
## Economic profile

- The total GSDP (Gross State Domestic Product) of Karnataka at current prices was about US\$ 58.23 billion in 2008-09.
- GSDP growth of 5.5 percent recorded in 2008-09
- Per capita income during 2007-2008 was US\$ 772
- Karnataka recorded the highest growth rates in terms of GDP and per capita GDP in the last decade compared to other states.
- In 2008-09, the tertiary sector contributed the most to the GSDP amounting to US\$ 31.6 billion (55 percent), followed by the secondary sector, contributing US\$ 17 billion (29 percent), and the primary sector's contribution amounting to US\$ 9.5 billion (16 percent)

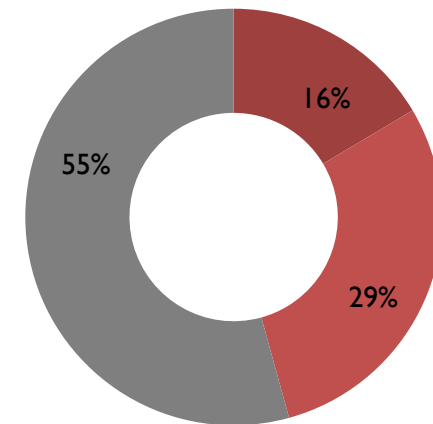
Source :Economic Survey of Karnataka 2008-2009, Directorate of Economics and Statistics, p. 227

1 US\$ = INR 46.05 (2008-2009)

Karnataka's GSDP Growth



Sectoral contribution to GSDP (2008-09)



■ Primary ■ Secondary ■ Tertiary

Source :Department of Commerce & Industry

www.ibef.org

## Socio-economic profile

- Bengaluru, Mysore and Mangalore – three major cities of Karnataka where over 40 percent of urban population resides
  - Bengaluru – largest urban metropolis of the state
  - Mysore – emerging as an alternative destination to Bengaluru in service and tourism sectors
  - Mangalore – a city that's gaining importance because of its wide network of ports, educational institutes, hospitals and banks

Cities	Average annual household income (US\$)	Average annual household savings (US\$)	Households electrified (percentage)	Internet users (nos.)	Households with four wheelers	Socio-economic classification	SEC A	SEC B	SEC C	SEC D&E
Bengaluru	211	84	95	579,000	10%	Bengaluru	14%	23%	30%	33%
Mysore	180	58	93	91,000	9%	Mysore	11%	21%	29%	48%
Mangalore	180	50	91	95,000	6%	Mangalore	5%	20%	27%	40%

## Socio-economic profile

Cities	Population in million (urban)	Unemployment rate	Migration rate	Population growth rate per annum	Employment growth	Credit growth	Deposit growth
Bengaluru	6.20	12.05%	8.0%	3.2%	4.84%	20.00%	19.8%
Mysore	0.98	11.73%	5.9%	1.7%	2.75%	10.79%	9.1%
Mangalore	0.73	6.15%	11.0%	3.1%	3.60%	15.28%	10.6%

Source: City Skyline Data



## The focus of this presentation is to discuss...

- ❖ State economy and socio-economic profile
- ❖ Infrastructure status
- ❖ State policy and incentives
- ❖ Business opportunities
- ❖ Doing business in Karnataka

## Physical infrastructure – roads

### Road inventory

- The state is well connected to its six neighbouring states and other parts of India through 14 National Highways (NH); it accounts for about six percent of the total NH network in India.
- Its district centres are linked through 114 State Highways (SH).
- Total road network of NH, SH and district roads is about 2,07,379 Kms., of which 1,27,541 Km. is surfaced (61.5 percent)

Road Type	Road length (Kms.)
National highways	4,396
State highways	28,311
District roads	19,801

# Physical infrastructure – roads

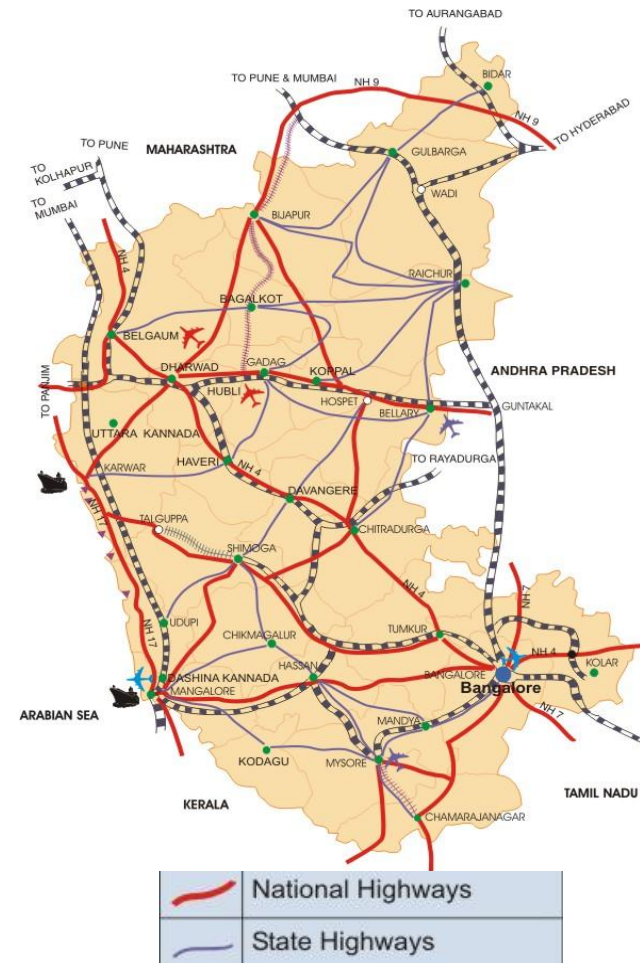
## Multilateral agency funded projects

- 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 (Bengaluru-Maddur) being used for road development.

Source :Economic Survey of Karnataka 2008–2009, Directorate of Economics and Statistics, Appendix I; “Statewise length of National Highways”, National Highways Authority of India website, <http://www.nhai.org/>, accessed 23 September 2009



## Physical infrastructure – ports

New Mangalore Port (2007–08)	
Total traffic handled	36.69 MTA
Total imports handled	19.96 MTA
Total exports handled	16.73 MTA
Number of vessels	1,015
Cruise vessels	18

Karwar Port (2007–08)	
Total cargo handled	2.7 MTA
Total imports and exports	6 MTA
Revenue	US\$ 2.7 million
25 Private liquid cargo tanks	75,000 MT

Major ports
<ul style="list-style-type: none"> <li>• New Mangalore Port</li> <li>• Karwar Port</li> </ul>

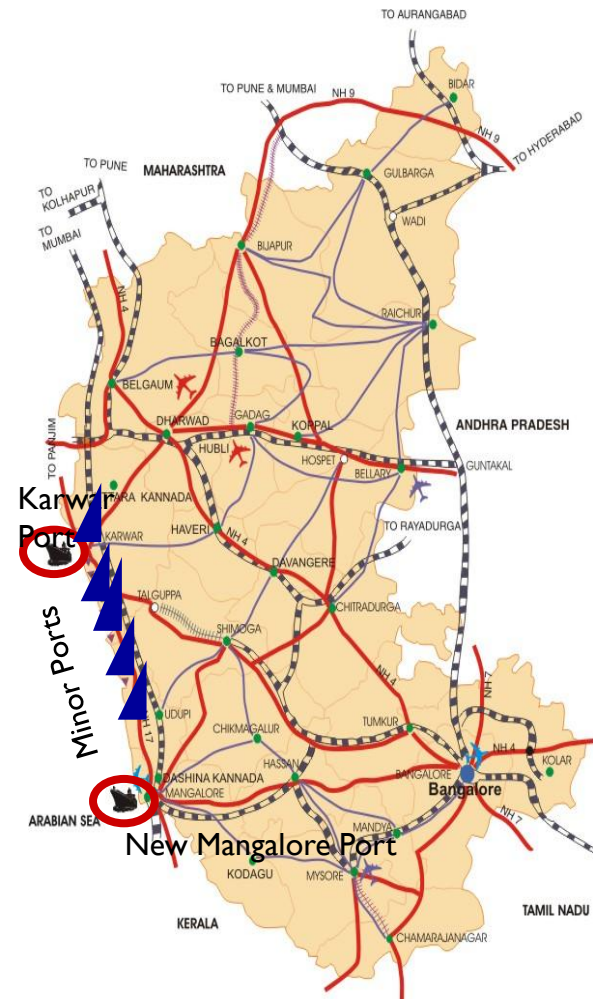
Minor ports
<ul style="list-style-type: none"> <li>• Belekeri</li> <li>• Tadri</li> <li>• Honnavar</li> <li>• Bhatkal</li> <li>• Kundapur</li> <li>• Hangarkatta</li> <li>• Malpe</li> <li>• Padubidri</li> <li>• Old Mangalore</li> </ul>

# Physical infrastructure – ports

## Ongoing NHAI port connectivity project

- NHAI’s Port Connectivity Project to New Mangalore Port is at the implementation stage.
- NH-17 (Suratkal-Nantur Section), NH-48 (Padil Bantwal Section), NH 13 are covered by this project.

Source : Yearly traffic 2008–2009, Department of Ports and Water Inland Transport, Government of Karnataka website, <http://www.newmangalore-port.com/>. accessed 23 September 2009



## Physical infrastructure – airports

### International airports

- The state has five domestic airports at Bengaluru, Mangalore, Hubli, Mysore and Belgaum.
- International flights operate from the international airports at Bengaluru and Mangalore.
- New Bengaluru International Airport developed under a Public Private Partnership framework at Devanahalli, in the outskirts of Bengaluru started operations in May 2008.

### Minor airports/low cost airports

- New minor airports proposed at Hassan, Bellary and Gulbarga; currently 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.

## Physical infrastructure – airports

### Bengaluru International Airport, Devanahalli

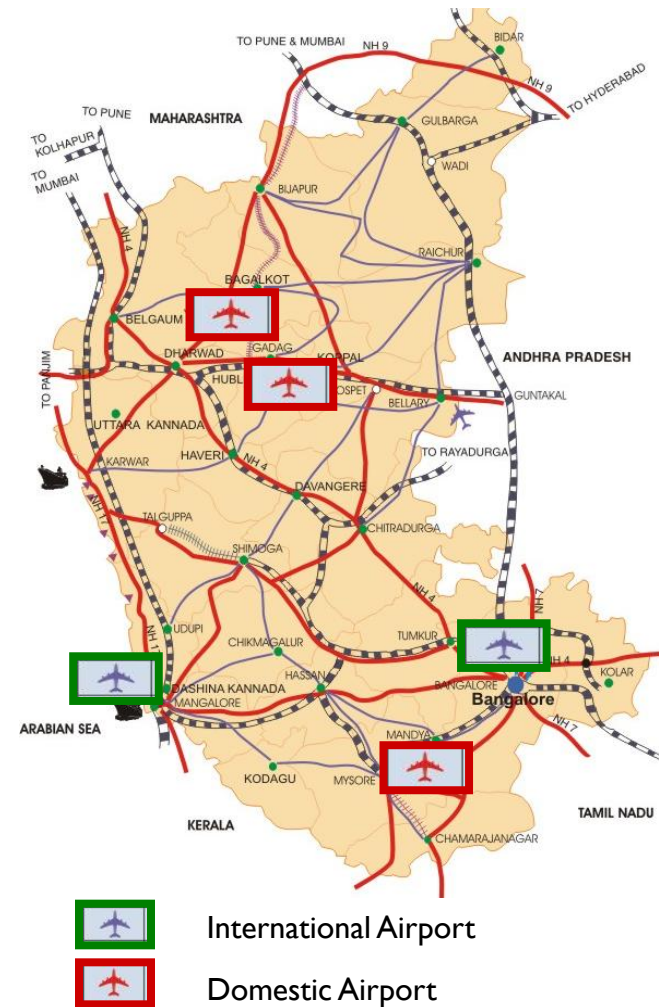
Commissioned: May 2008

Area: 4,050 acres

Capacity: 11 million pax p.a.

Aircraft Movements: 63,500

Fourth busiest airport in India (after Mumbai, Delhi and Chennai)



## Physical infrastructure—railways

### Rail inventory

- State well-connected to other parts of the country
- Railway network of 3,172 Km (2007–2008)
- 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

- Karnataka Rail Infrastructure Development Corporation (K-RIDE) has been set up with the objective of developing and implementing rail infrastructure projects in Karnataka with private sector participation wherever feasible. The K-RIDE has a CEO deputed from the Railways Department and the Principal Secretary, Infrastructure Development Department as its Chairman.

### Other related projects

Urban transport

- Metro rail and mono-rail projects in Bengaluru underway. The first phase of the Bengaluru Metro will cover a total of 42.3 kms.
- Mysore Metro Rail Project - preliminary feasibility considered.

Tourism

- Luxury tourist train on lines of Palace on Wheels (in Rajasthan) is operational.

### Ongoing projects

- Hassan–Sakhleshwar–Mangalore line gauge conversion, under progress,
- Key connectivity projects, doubling of Mysore–Bengaluru railway line, Gadani–Bagalokot, Bengaluru–Hassan to be taken up in near future.



# Physical infrastructure—power

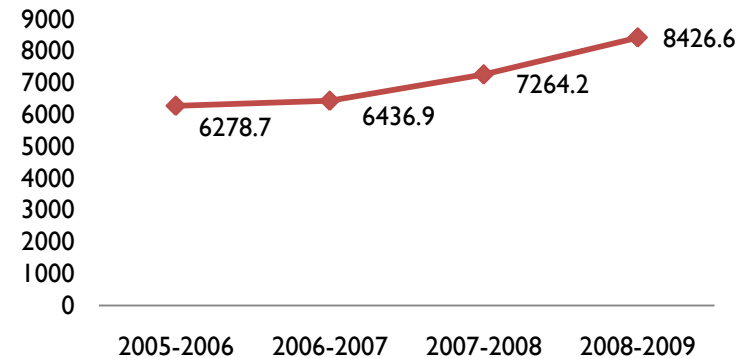
Generation: KPCL and IPPs (GMR/Jindal/ Bhoruka)	
•	KPCL has an installed capacity of over 9315 MW
•	Number of consumers: 16.3 million.
•	Plants for another 4,000 MW are in the pipeline
•	Independent power producers have installed capacity of 2,005 MW

\*KPCL - Karnataka Power Corporation Ltd

\*IPPs is Independent Power Producers

Transmission: Karnataka Power Transmission Corporation Limited (KPTCL)	
Area covered	192,000 sq Km
Sub stations	1,205
Transmission lines	28,000 Km, 33KV, 130,000 Km of 11 KV
LT lines	451855 Kms
Distribution transformers	1,50,000

Power Generation Installed Capacity (MW)

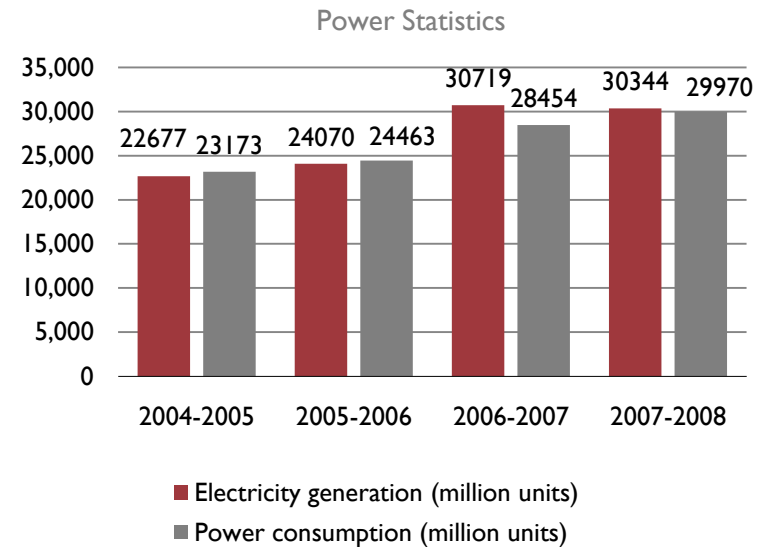


Source :Economic Survey of Karnataka 2008–2009, Appendix 4

# Physical infrastructure—power

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: “Power sector at a glance as on July 2009”, Karnataka Power Transmission Corporation Limited website, accessed 23 September 2009



## Physical infrastructure–telecom

- Leading telecom companies in the sectors of telecommunication network, basic telephony services (both wire line and wireless) and networking services for telecommunication equipments are operating in the state.
- 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 Communications provide the Last Mile Access directly to the customer in all major cities in Karnataka.
- Seven new telephone exchanges were opened in 2007–2008

### Active telecom service providers in Karnataka

- BSNL
- Bharti Airtel
- Reliance Communications
- Vodafone Essar
- Spice Communications
- Tata Teleservices Ltd

### Key statistics (2007–08)

**Cellular subscribers :** About 10 million

#### Internet/broadband

**subscribers :** About 0.8 million

**Telecom towers:** About 14,000

**Post offices:** 9826

**Telephone connections provided:** 2610

**Telephone exchanges:** 2727

Source :Economic Survey of Karnataka 2008–2009, Directorate of Economics and Statistics, Chapter 4

## Industrial infrastructure

- Karnataka Industrial Area Development Board (KIADB) and Karnataka State Industrial Investment Development Corporation (KSIIDC) are jointly responsible for the development of industrial infrastructure in the state.
- Directorate of Commerce and Industries has set up district and taluk industrial centres across the state to facilitate investment.
- The Government of Karnataka is promoting the development of several SEZs across Karnataka such as pharma and biotech SEZ, food processing and agro-based industries and textiles SEZ at Hassan and IT and Coastal SEZs at Mangalore.

# Industrial infrastructure

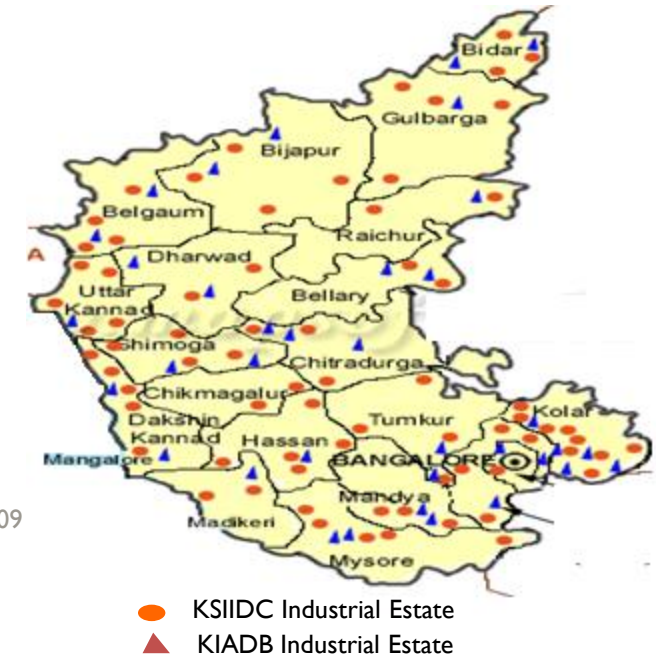
## Key industrial clusters

- IT/ITES cluster in electronic city and Whitefield (Bengaluru).
- Biotech park/cluster in electronic city, Bengaluru
- 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 and processing cluster in Madikeri.

## SEZs in Karnataka

Notified	27
Formal approvals	52
In-principle approvals	9

www.kumbangalore.com



Source: Statewise SEZs in India, www.sezindia.nic.in. accessed 23 September 2009

## Social infrastructure - education

### Educational infrastructure

- The state is home to:
  - 11 universities
  - 133 medical colleges
  - 144 engineering colleges
  - 712 general colleges
  - 199 diploma colleges
  - 68 MCA colleges
  - 61 MBA colleges
  - 207 polytechnics
  - Two universities of agricultural sciences at Bengaluru (1965) and Dharwad
  - Kannada University at Hampi
  - Three fine arts colleges

### 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)

### Karnataka primary education statistics

Literacy rate	66.64 percent
Male literacy	76 percent
Female literacy	57 percent
Number of schools* (2008–09)	Lower primary — 29,000 Higher primary — 27,600 High schools — 11,835
School dropout rate (2008–09)	Class 1 to 5 — 7.86 Class 1 to 7 — 10.49
Pupil-teacher ratio (2007–08)	28:1 (teachers sanctioned) and 29:1 (teachers in position)
Net enrolment ratio in primary schools (2007–08)	98.09
Retention rate (classes 1 to 5)	92.14

\* Estimates

## Social infrastructure – health

### Health infrastructure: government initiatives

- Three-tier health infrastructure comprising primary health centres, health units, community health centres and sub-centres
- The policy of the government is to establish one primary health centre for every 30,000 inhabitants, one dispensary for every 15,000-20,000 inhabitants, and one sub-centre for every 5,000 inhabitants.

### Health infrastructure in state

- 68 hospitals (26 district hospitals)
- 325 community health centres
- 2,193 primary health centres
- 659 primary health units/dispensaries
- 8,143 sub-centres
- More than 50,000 beds
- Life expectancy: 67 years

## Social infrastructure – health

### Emergence of health city concept

- The healthcare landscape in Karnataka is changing rapidly; corporate and foreign hospitals setting up centres to offer high quality healthcare
- The health city concept is gaining importance 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 facilities such as Narayana Health City.

#### Premier/super specialty hospitals

- Narayana Hrudayalaya, Bengaluru
- MS Ramaiah Hospital, Bengaluru
- Manipal Hospital, Bengaluru
- Sagar Apollo Hospital, Bengaluru
- HOSMAT Hospital, Bengaluru
- Vittal Malya Hospital , Bengaluru
- Columbia Asia, Bengaluru
- Shri Satya Sai Hospital, Bengaluru
- Apollo Hospital, Mysore
- Basappa Memorial Hospital, Mysore
- Vikram Hospital, Mysore
- Kasturba Hospital, Manipal

Source: Status of infrastructure in Primary Health Centres in the states of India ,Facilities Survey,2003,  
:Economic Survey of Karnataka 2008–2009, Directorate of Economics and Statistics, Chapter 9



## The focus of this presentation is to discuss...

- ❖ State economy and socio-economic profile
- ❖ Infrastructure status
- ❖ **State policy and incentives**
- ❖ Business opportunities
- ❖ Doing business in Karnataka

## New Industrial Policy (2006-2011)

### Industrial Policies in Karnataka

- Karnataka is among the top five industrialized states in the country.
- It was the first to introduce a State Industrial Policy in 1982-1983
- Under the State Industrial Policy for 2001-2006, 1,009 proposals with an investment of US\$ 33 billion with employment potential for 16,94,693 persons have being approved.

### New Industrial Policy, 2006-2011

- The New Industrial Policy 2006-2011 came into effect from April 2006
- Aims to achieve a GSDP growth rate of nine percent per annum and 12 percent average annual growth during 2006-2011 in the industrial sector, which currently accounts for 18 percent of GSDP.

## New Industrial Policy (2006-2011)

### 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 small scale industries (SSIs) 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 percent 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 on capital goods/raw materials in thrust areas for three or five years

## 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

Agri-infrastructure, Education, Energy, Healthcare, Industrial infrastructure, Irrigation, Public markets, Tourism, Transportation and logistics, Urban and municipal infrastructure

# New Infrastructure Policy, 2007

## 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.

Source: Gazette notification of Infrastructure Department Secretariat, July 2007

## Millennium IT Policy, 2000

- Karnataka is considered the Silicon State and Bengaluru 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 IT Policy, 2000

- IT to be used as a tool to track beneficiaries for 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 Zilla Panchayat 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

## Millennium IT Policy, 2000

- 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

## Millennium Biotech Policy, 2000

- Government to set up biotech parks in Bengaluru and Dharwad; Marine Biotech Park in Karwar.
- Biotech corridor to be developed in Bengaluru
- Other institutions planned such as Centre for Human Genetics, Institute of Agri-Biotechnology
- Measures to accelerate Human Resource Development through education in scientific computing and electronics
- Measures to accelerate human resource development through professional training in scientific computing

### Thrust areas under Millennium Biotech Policy

- Genomics
- Biofuels
- Bioinformatics
- Contract research



## Millennium Biotech Policy, 2000

### 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:** zonal regulations for establishment of bioinformatics companies, relaxation in labour laws and creation of a single window agency.
- **Financial support:** Encourage setting up of VCs for biotech industries.

## Millennium BPO Policy, 2002

- Primarily aims at creating an 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 BPO companies 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.

## Millennium BPO Policy, 2002

### 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 percent exemption on stamp duty and registration charges (100 percent 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 to 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 with an 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-Pattadakal circuit and coastal circuit in North Canara
- Bengaluru to be developed as a major tourist destination through adventure sports and high-end accommodation.

## Karnataka Tourism Policy, 2002-2007

### 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 percent, entertainment tax exemption of 100 percent for first three years and 75 percent for next two years for I-Max theatres, tax on aviation turbine fuel reduced to four percent, underwriting of 50 percent 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 percent exemption on stamp duty for investment below US\$ 12 million and 100 percent exemption for above US\$ 12 million, concessional registration charges
- Asset-based support: Government land offered at 50 percent 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 assistance in the form of 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 Bengaluru 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.

## Karnataka Textile Policy 2008-2013

- With this policy, the state would emerge as a major garment sourcing destination worldwide leading to a doubling of exports which were worth US\$ 1.6 billion in 2008 and accounted for 20 percent 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.

## The focus of this presentation is to discuss...

- ❖ State economy and socio-economic profile
- ❖ Infrastructure status
- ❖ State policy and incentives
- ❖ **Business opportunities**
- ❖ Doing business in Karnataka



# Information Technology (IT) and IT-enabled services

## IT/ITeS Opportunity

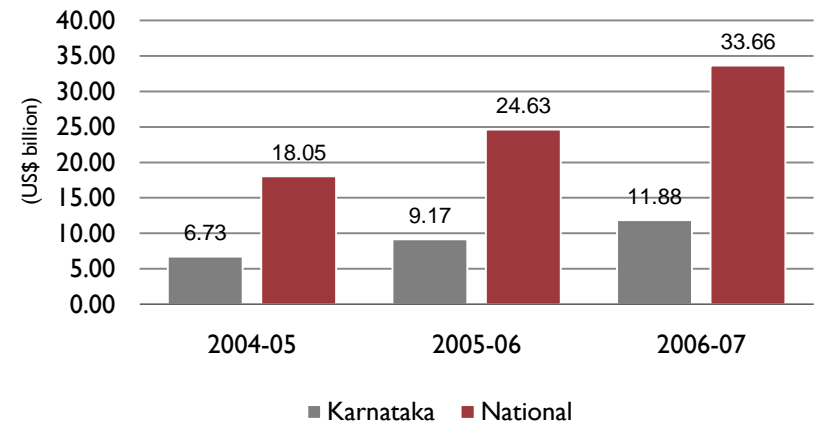
- Because of an appropriate ecosystem for knowledge-driven industries including its proactive government, sector friendly policies and large pool of skilled manpower, Karnataka has been the forerunner in the IT/ITeS space. Bengaluru is among the five largest technology hubs in the world.
- Karnataka's share in national software exports is more than 35 percent; IT/ITES export growth rate at about 30 percent.
- Karnataka has over 2001 operational companies in the IT/ITES space (2009) employing over 5.5 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 percent of the world's SEI CMM Level 5 certified companies are located in Bengaluru.
- Yahoo is planning to launch a new R&D lab in Bengaluru called Yahoo Labs.

# Information Technology (IT) and IT-enabled services

## Emerging IT Destinations

- Mysore : 49 STPI registered companies which together export of US\$ 185 million during 2006-07; a 250 percent growth against the exports in 2004-05.
- Mangalore: 24 STPI registered companies with exports of US\$ 166 million during 2006-07.
- Hubli: 13 STPI registered companies with exports of about US\$ 2.1 million in 2006-07.

Karnataka Vs national software exports



Source: Software Technology Parks of India, Bangalore, www.blr.stpi.in, accessed 29 September 2009

# Biotechnology

## Opportunities

- As of April 2008, Karnataka was home to 60 percent of biotechnology related companies in India.
- Bengaluru's biotech companies maintained a 35 percent growth rate with an investment of US\$ 250 million in 2007-2008.
- Bengaluru'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 Bengaluru.
- Premier Life Sciences institutions such as Indian Institute of Science, National Centre for Biological Science, Jawaharlal Nehru Centre for Advanced Scientific Research etc are present in the state.
- 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 Bengaluru with investments of US\$ 25 million in the first phase of a two-phase nano centre (focussing on nanotechnology).

# Biotechnology

## Select major biotech companies in

### Karnataka

- Accelrys Inc.
- Advanta India Ltd
- AstraZeneca
- Avestha Gengraine Technologies Pvt Ltd
- Aurigene Discovery Technologies Ltd
- Biocon
- ReaMetrix India Pvt Ltd
- Strand Genomics
- Syngene International
- Xcyton

## 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 Bengaluru and one in Mysore
- SEZ spread over 700 acres for pharma and biotechnology at Hassan (at conceptual stage).

[www.karnataka.com](http://www.karnataka.com)

## Other prominent industries

### 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 percent 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.

## Other prominent industries

### Telecommunications and 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 are based in Bengaluru
- 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 percent to US\$ 605 million in 2005-2006 from US\$ 432 million a year ago.

## Other prominent industries

### 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 2003-04, revenues from the state's auto sector stood at about US\$ 604 million.
- State government has set up many Auto Parks at Bidadi, Bengaluru, Shimoga and Dharwar housing automobile ancillary and servicing units.
- General Motors has invested US\$ 21 million to set up a technical centre in Bengaluru.
- Toyota, Volvo, TVS Motors have set up vehicle manufacturing units in Karnataka, which has led to the growth of ancillary units involved in manufacturing tyres, bearings and other auto spare parts in the Bengaluru-Hosur region.

## Other prominent industries

### Textile and apparel industry

- Producer of 70 percent of India's silk; major apparel sourcing destination for the global market
- Companies such as Gokaldas Exports (Bengaluru) supply apparel to major global fashion labels
- Promising future of the sector with the Apparel Park at Dodaballapur near Bengaluru and other mega Textile Parks in other parts of the state.
- Exports of over US\$ 860 million in 2003-04, making it the second largest garments exporter in India.
- There are about 1,800-2,000 textile and garment units in Bengaluru 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 specialising in denim based garments is an emerging centre for textiles in Karnataka



## Other prominent industries

### Agro and 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 percent of the country's total coffee production ( 206 million tonnes in 2006-07).
- State ranks second in the production of flowers; also one of the leading producers of fruits and vegetables.
- Horticulture accounts for over 40 percent of the state's agricultural income and contributes 17 percent to GSDP.
- The state promoted an SPV, Food Karnataka Ltd (FKL) in 2004 to attract private investments in six proposed food parks across the state.
- In 2009-10, the state proposes setting up a Spice Park at Byadagi in Haveri district.

## Key players: IT/ITeS



Infosys	Wipro	Genpact	Accenture
<ul style="list-style-type: none"> <li>Set up in 1981</li> <li>Revenues of US\$ 4.7 billion in 2008–09</li> <li>Is present in areas of IT consulting, modular global sourcing, process re-engineering, and BPO services.</li> <li>Has operations in Australia, China and US.</li> <li>Marketing and technological alliances with FileNet, IBM, Intel, Microsoft, Oracle etc.</li> <li>Capacity of over 60,000 seats and is in the process of adding another 30,000 seats.</li> <li>Has operations at multiple locations in Bengaluru and Mysore in Karnataka.</li> </ul>	<ul style="list-style-type: none"> <li>Established in 1945</li> <li>Revenues of US\$ 5.6 billion in 2008–09</li> <li>Is present in areas of IT services, product engineering, technology infrastructure services, BPO and other consulting solutions.</li> <li>Provides services such as application development, deployment and maintenance, business intelligence, CRM.</li> <li>Based out of Bengaluru, the company has 54 development centres and 30 offices spread across India, N. America, Middle East and Europe.</li> </ul>	<ul style="list-style-type: none"> <li>Set up in 1997 in India</li> <li>Formerly known as GE Capital International Services.</li> <li>Genpact’s revenues in 2008 stood at US\$ 1.04 billion.</li> <li>Provides a wide range of business process, technology and knowledge services, including finance and accounting, collections and customer relations, insurance, procurement and supply chain, analytics, software, IT-infrastructure.</li> <li>Presently the company employs about 20,000 professional. The Bengaluru centre has about 1500 employees.</li> </ul>	<ul style="list-style-type: none"> <li>Set up in 1997 in India</li> <li>Accenture India is the wholly-owned subsidiary of the \$16.65-billion global management consulting and outsourcing firm.</li> <li>Total 35,000 employees ; 10,000 in the BPO space and the remaining 25,000 people in the business consulting and systems integration and technology divisions to serve global clients.</li> <li>Bengaluru operations has three centres with around 8,000 employees.</li> </ul>

## Key players: Biotechnology/ Pharmaceuticals



Biocon	AstraZeneca	Himalaya Drug Company	Avesthagen
<ul style="list-style-type: none"> <li>• Incorporated in 1978</li> <li>• Company's revenues were about US\$ 341.01 million in 2009.</li> <li>• Among leaders in bio-pharmaceuticals and bio-services.</li> <li>• Manufactures API and branded formulations under biologics like Insulin and non-biologics segment like Acarbose.</li> <li>• Involved in production of industrial enzymes and has a healthy pipeline of R&amp;D in biogenics and proprietary molecules.</li> <li>• Company has an integrated biotech hub – Biocon Park and is proposing to set up a SEZ at Annekal in Bengaluru.</li> </ul>	<ul style="list-style-type: none"> <li>• Established in 1979</li> <li>• Revenues from Indian operations for the year ending Dec 2008 were about US\$ 84.6 million.</li> <li>• Involved in the areas of manufacturing bulk drug chemicals, liquid formulations, tablets and capsules, injectibles and ointments for various disease segments such as cardiovascular, respiratory, maternal healthcare etc.</li> <li>• Manufacturing plant over a 70 acre plot located at Yelhanka in Bengaluru.</li> <li>• R&amp;D centre on an area of about 1 million square feet in Bengaluru.</li> </ul>	<ul style="list-style-type: none"> <li>• Founded in 1930</li> <li>• Set up a manufacturing plant in 1975 at Makali at Bengaluru, which is the present corporate headquarters.</li> <li>• Turnover of the company was about US\$ 35 million in 2006-2007.</li> <li>• Its health and personal care products are available in 60 countries.</li> <li>• First ayurvedic facility to get Good Manufacturing Practices (GMP) certification in the country.</li> <li>• The company is eyeing contract farming in Karnataka for sourcing herbs, the core ingredients in herbal drugs.</li> </ul>	<ul style="list-style-type: none"> <li>• Established in 1998</li> <li>• Discovery based life sciences company focussing on achieving convergence between food, pharmacy and population genetics leading to preventive personalized medicine.</li> <li>• Established world class, state-of-the-art laboratory facilities at the International Tech Park in Bengaluru.</li> <li>• Around 200 employees in Bengaluru centre.</li> </ul>

## Key players: Electronics/ Telecom / Software




**PHILIPS**  
sense and simplicity



**TEXAS INSTRUMENTS**



Siemens India	Philips Software	Texas Instruments	IBM
<ul style="list-style-type: none"> <li>• Incorporated in 1957 in India</li> <li>• In India, Siemens is involved in electrical and electronics engineering.</li> <li>• Some of the products manufactured are switch gears, electric motors, generators, control boards, X-ray equipments etc.</li> <li>• Revenues from Indian operations were over US\$ 2.36 billion during the year 2008.</li> <li>• Based out of Mumbai, the company has plants in Aurangabad, Nasik, Kalwa, Vadodra and Goa.</li> <li>• Unit for switch gear items and a company, Siemens Information Systems Limited for system integration at Bengaluru.</li> </ul>	<ul style="list-style-type: none"> <li>• Philips Software, wholly owned subsidiary of Philips Electronics N.V., termed as Philips Innovation Campus was set up at Bengaluru in 1996.</li> <li>• Involved in various capacity augmentation programmes of other Philips group companies in Singapore, Austria, Belgium, Holland etc.</li> <li>• Involved in software development related to consumer electronics, medical systems, intellectual property, applied technology and business application services.</li> </ul>	<ul style="list-style-type: none"> <li>• A subsidiary of Texas Instruments, USA, it set up its office in India in 1985.</li> <li>• First MNC to set up R&amp;D facility in India.</li> <li>• Around 1,200 employees and a turnover of over US \$100 million,</li> <li>• TI has the highest number of patents.</li> <li>• System –on chip Centre of Excellence at Bengaluru.</li> </ul>	<ul style="list-style-type: none"> <li>• Initially set up in India in 1939 and re-entered India in 1992.</li> <li>• Provides integrated hardware, software, business consulting and IT solutions,</li> <li>• IBM's total revenues amounted to US\$ 103.6 billion by the end of 2008.</li> <li>• Around 50,000 employees across various centres in India.</li> <li>• 15,000 employees are working across five centres in Bengaluru</li> </ul>

## Key players: public sector undertakings



Bharat Electronics	Hindustan Machine Tools	Bharat Earth Movers	BHEL
<ul style="list-style-type: none"> <li>• Bharat Electronics Limited, a multi-product, multi-unit, multi-technology company was incorporated in 1954.</li> <li>• Government holds more than 75 percent stake in the company,</li> <li>• Revenue of about US\$ 1.03 billion (March 2009)</li> <li>• Products manufactured by the BEL mainly categorized as defence and non-defence products.</li> <li>• Registered office is at Bengaluru. Plants are located in different parts of Karnataka and other industrialized states.</li> <li>• Units of BEL in Karnataka are primarily focussed on professional grade electronics equipment.</li> </ul>	<ul style="list-style-type: none"> <li>• Established in 1953.</li> <li>• Manufactures various types of machine tools including bearings, watches, tractors, food processing machines, heavy machine tools etc.</li> <li>• HMT has plants in Karnataka, Punjab and Haryana.</li> <li>• Net sales of US\$ 79.9 million (March 2009)</li> </ul>	<ul style="list-style-type: none"> <li>• Set up in 1954, BEML manufactures a wide range of products such as earth moving equipment.</li> <li>• Revenues of about US\$ 608.2 million (March 2009)</li> <li>• BEML's registered office is at Bengaluru in Karnataka. and units are at Kolar Gold Fields, Mysore and Bengaluru.</li> <li>• BEML exports machines to countries in Europe, Africa and the Middle East.</li> </ul>	<ul style="list-style-type: none"> <li>• Incorporated in 1964, Bharat Heavy Electricals Limited (BHEL) is a Central Government undertaking,</li> <li>• Largest engineering and manufacturing enterprise in India in the power and industrial machinery segment,</li> <li>• Revenue of around US\$ 6.08 billion in (March 2009)</li> <li>• BHEL manufactures electric meters and power devices at Bengaluru.</li> <li>• It has 14 manufacturing divisions, four power sector regional centres, eight service centres and 18 regional offices.</li> </ul>

## Key players: manufacturing/processing



Asea Brown Boveri	JSW Steel	Mangalore Refineries and Petrochemicals	United Breweries
<ul style="list-style-type: none"> <li>• Incorporated in 1949</li> <li>• Offers a wide range of products and services within power and automation technologies including Control Systems</li> <li>• Revenues about US\$ 1.601 billion (December 2008)</li> <li>• Registered office of ABB is at Bengaluru in Karnataka and its plants are located at Bengaluru, Faridabad, Mumbai, Nashik, and Vadodara,</li> <li>• At Bengaluru, ABB manufactures switchgears, turbochargers, motors, PLCC equipments, transformers etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Incorporated in 1994, JSW Steel is today a fully integrated steel plant producing pellets to colour coated steel.</li> <li>• Based in the rich iron ore belt of Bellary-Hospet in Karnataka, it is engaged in the manufacture of galvanized steel products.</li> <li>• Revenue of JSW steel was about US\$ 3.52 billion (March 2009)</li> <li>• JSW Steel has plants located at Toranagallu in Karnataka as well as Vasind and Tarapur in Maharashtra.</li> <li>• The Karnataka plant has a capacity of over 2.5 million tonnes of hot rolled coils.</li> </ul>	<ul style="list-style-type: none"> <li>• Set up in 1988; acquired by ONGC during 2003-04,</li> <li>• Engaged in oil refining and manufacturing of petroleum products like furnace oil, air turbine fuel, motor spirit, naphtha, LPG, etc.</li> <li>• Fifth largest refinery company in India, MRPL generated a turnover of US\$ 9.28 billion in 2008–2009</li> <li>• 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,</li> </ul>	<ul style="list-style-type: none"> <li>• Based in Bengaluru, India's largest brewer and the second largest in the world.</li> <li>• Company has recorded a turnover of US\$ 394.9 million (March 2008).</li> <li>• The Group has around 2000 employees.</li> <li>• Manufactures primarily under the brands Kingfisher, London Pilsner, and UB Premium Ice,</li> <li>• UB has a distillery with a capacity of 235 million liters.</li> <li>• Group is also into the aviation sector and owns the Kingfisher Airlines.</li> <li>• The Mangalore Chemicals and Fertilizer Limited also forms a part of the group</li> </ul>

## Investments in Karnataka

### Overall Investments and implementation ratios

- The state is one of the major investment destinations for industrial and infrastructure projects
- Major investments primarily in IT/ITES, steel, petrochemicals, engineering, electronics, textiles and apparels, transport and urban infrastructure
- Karnataka's electronics industry witnessed positive growth during April-September 2008, with five to seven percent increase in production and seven percent increase in sales
- About 148 mega projects with investments of US\$ 28 billion approved by the state government 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

## Investments in Karnataka

### Overall Investments and implementation ratios

- Towards the end of 2006, the state had outstanding investment of US\$ 38.52 billion in 1,308 projects under various stages of planning and implementation
- Implementation ratio of 43.3 percent, comparable to national average of 44.0 percent.

### Foreign Direct Investments (FDI)

- Healthy Foreign Direct Investment (FDI) inflow over the years primarily in sectors related to IT/ITES, automobile and auto-components, engineering and electronics.
- FDI inflows from April 2000 to July 2009 amounted to US\$ 6.2 billion
- Karnataka ranked fourth in terms of the number of foreign technology collaborations approved, which amounted to 525 (6.51 percent of the total collaborations approved)
- 2,726 proposals (8.7 percent of all FDIs) with investments of over US\$ 6.2 billion estimated to be approved by the state



## Investments in Karnataka

### Jawaharlal Nehru National Urban Renewal Mission (JNNURM)

- 16 projects worth US\$ 346 million approved during 2006-07 for development of urban and tourism infrastructure.
- US\$ 1.2 billion earmarked for 2007-08 to be approved, based on merits of proposals from the state government.

*Source:* Karnataka Urban Infrastructure Development & Finance Corporation (KUIDFC)

## Key investments

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

Source :www.Projectstoday.com

## Investment approvals (2007)

- 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

## Investment approvals (2007)

- 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

### Surge in real estate/ large integrated townships in Karnataka

- US\$ 6.1 billion investment in 11 integrated townships for IT, BT and ITES sectors- in progress in Bengaluru
- 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 committees

News Reports: September 2007

## Proposed investments (2008 and 2009)

- Karnataka government has given the 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 Bengaluru by Gulf Oil Corporation,
- Biotech SEZ to be setup by Gopalan Enterprises

## Proposed investments (2008 and 2009)

- A special hi-tech hospital to come up near Bengaluru, by Narayana Hrudhayala (Bengaluru-based health major),
- Sri Renuka Sugars – doubling of sugarcane crushing capacity at its Belgaum plant
- Delta Power Group – Proposal to set up a 500 MW thermal power plant at Kudigi in Bijapur district
- Bosch Ltd - manufacturing facility for automotive components
- Premium Farm Fresh Ltd - terminal market chain of fresh fruits and vegetables in Belgaum, Hassan, Hoskote and Mysore

## Proposed investments (2008 and 2009)

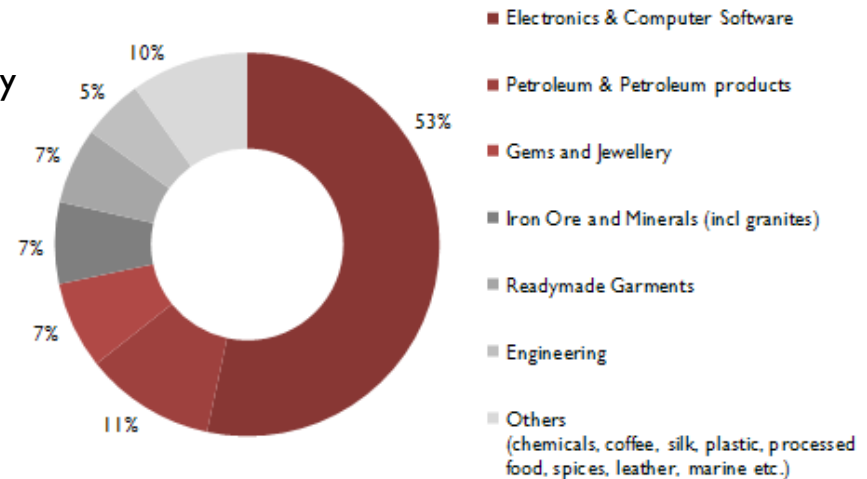
Infrastructure projects in the pipeline		
Type of project	Location	Sector
SEZ	Bidar	Chemical industries
Industrial Park	Jewargi (Gulbarga)	Food processing
SEZ / Park	Bijapur	Air cargo facility and township
Growth centre	Raichur	-
Industrial Parks	Belgaum	Textiles, food processing, Life sciences
SEZ & Industrial Park	Dharwad-Hubli	IT, Life Sciences
Industrial Park	Bellary	Apparel
	Karwar	Tourism village
SEZ	Shimoga	Auto components
Industrial Park	Sidlipura	Textiles
SEZs	Hassan	Pharma & Biotechnology, Food processing and agro-based industries, Textiles
Plant	Mangalore	Automobile manufacturing
Warehousing	Kolar-Mulbagal-Bangarpet	Warehousing and reverse logistics
SEZ	Bagepalli	-
Industrial Park	Bengaluru	Auto components, tourism project like Disneyland, life sciences
Industrial Parks	Mysore	Fab city, life sciences

# Exports profile

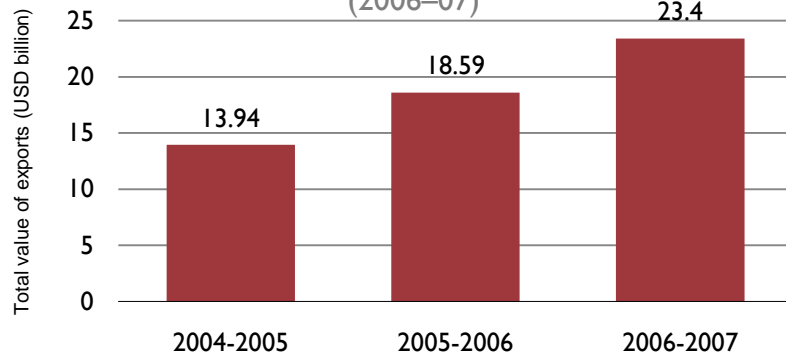
## Karnataka IT/ ITeS exports: 2006-2007

- Karnataka’s exports have touched US\$ 23.4 billion with the information technology and biotechnology sectors at the forefront of exports.
- Three major commodities that registered high export growth in 2006–07 were electronics and computer software (US\$ 12.48 billion), petroleum and petroleum products (US\$ 2.56 billion) and gems and jewellery (US\$ 1.72 billion)

Typical export segments (2006–07)



Export trends (2006–07)



Sources :Economic Survey of Karnataka 2008–2009, Directorate of Economics and Statistics, Chapter 3,

“Exports from Karnataka”, Karnataka Udyog Mitra, www.kumbangalore.com, accessed 29 September 2009



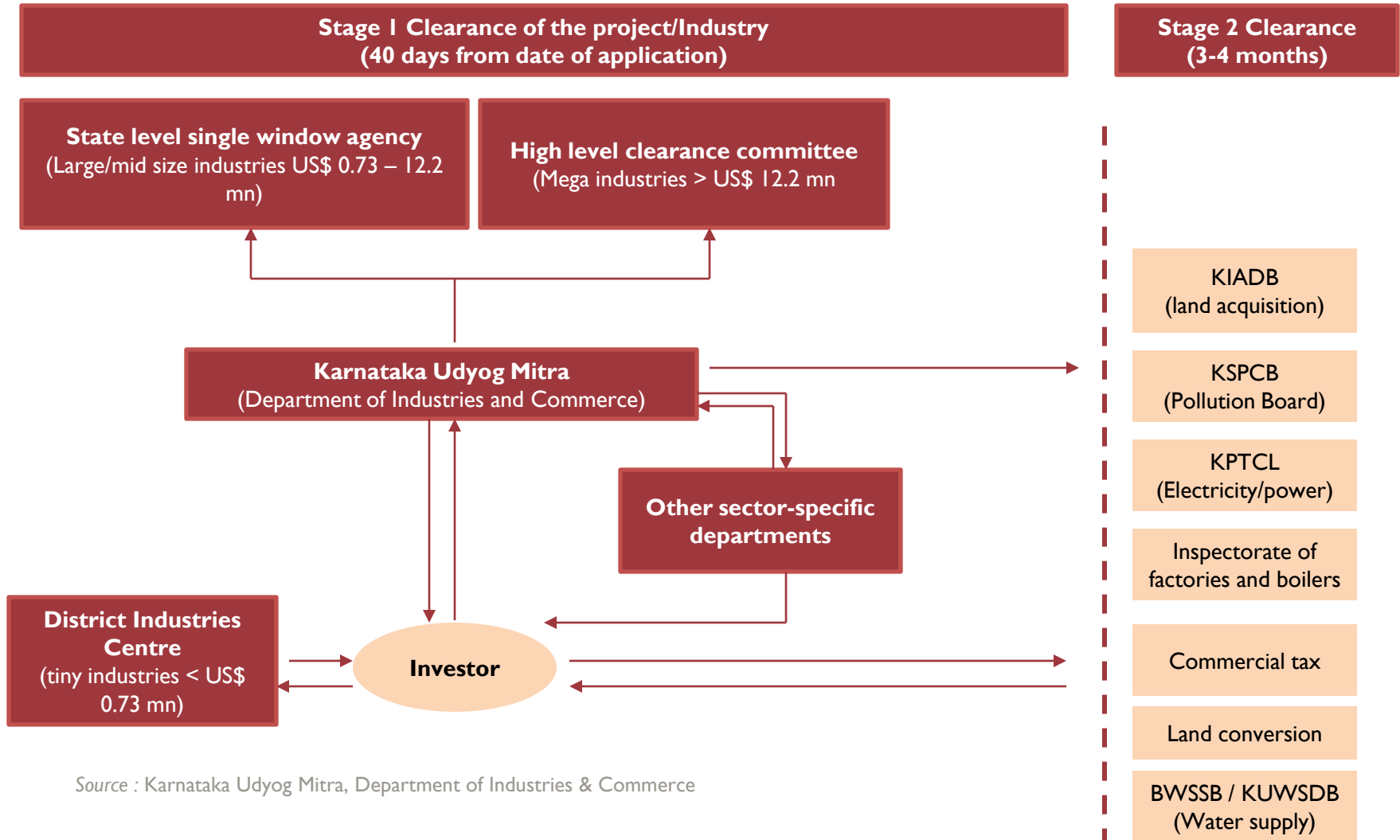
## The focus of this presentation is to discuss...

- ❖ State economy and socio-economic profile
- ❖ Infrastructure status
- ❖ State policy and incentives
- ❖ Business opportunities
- ❖ **Doing business in Karnataka**

## Approval Authorities

<p><b>Department of Industries and Commerce (DIC)</b></p> <ul style="list-style-type: none"> <li>Anchor department for development/ establishment of industries in Karnataka</li> <li>Responsible for formulating and implementing industrial policies in the state.</li> </ul>	<p><b>District Industries Centres</b></p> <ul style="list-style-type: none"> <li>Nodal agencies for approval of projects at district level</li> <li>Jurisdiction for approval includes projects with expected project value less than US\$ 0.73 million.</li> </ul>
<p><b>Other departments</b></p> <ul style="list-style-type: none"> <li>There are various sector-specific departments such as Department of Tourism, Department of Information Technology and Biotechnology, Department of Food Processing, Department of Textiles, Department of Mines and Geology.</li> </ul>	<p><b>District Level Single Window Clearance Committee (DLSWCC)</b></p> <ul style="list-style-type: none"> <li>Functions under chairmanship of respective Deputy Commissioners for industrial projects for investments less than US\$ 0.73 million.</li> </ul>
<p><b>State High Level Clearance Committee (SHLCC)</b></p> <ul style="list-style-type: none"> <li>Functions under the chairmanship of the Chief Minister with representations from ministers and officers of all concerned departments for projects involving investment of more than US\$ 12.2 million.</li> </ul>	<p><b>State Level Single Window Clearance Committee (SLSWCS)</b></p> <ul style="list-style-type: none"> <li>Functions under chairmanship of Principal Secretary (DIC) with representations from key departments for investments that range between US\$ 0.73–12.20 million.</li> </ul>
<p><b>Karnataka Udyog Mitra (KUM)</b></p> <ul style="list-style-type: none"> <li>It is the single contact point for investors in the state.</li> <li>Considers/ forwards proposals to concerned agencies and communicates status to investors</li> <li>Monitors implementation of approved projects</li> <li>Single point contact for information on various aspects including land availability, statutory approvals and coordination.</li> </ul>	

# Approval process



Source : Karnataka Udyog Mitra, Department of Industries & Commerce

## Key approvals required

List of approvals and clearances required	Departments to be consulted
<b>Prior to setting up the unit</b>	
Registration	Department of Industries and Commerce department, Karnataka Udyog Mitra (single window agency)
Allotment of land/ shed	Karnataka Industrial Areas Development Board
Permission for land use	District authorities
No objection certificate under Water and Air act	Karnataka State Pollution Control Board
Approval for construction activity and building plan	Development authority/urban local body
No objection certificate	Fire department and directorate of factories and boilers
Provisional Trade Tax registrations	Central and state excise departments
Registration under Central Sales Tax act	Central and state excise departments
<b>Before commencement of production</b>	
No objection certificate under of Water and Air act	State Pollution Control Board
No objection certificate	Fire department and directorate of factories and boiler
Permanent trade tax registration	Central and state excise departments
Registration under Central Sales Tax Act 1956	Central and state excise departments
<b>After commencement of production /activity</b>	
Registration	Department of Industries and Commerce and respective sector departments such as IT/BT/Tourism etc.

## Business climate

### Proven track record

- The state has among the highest FDI inflows, overall investments and conversion ratios
- Proactive sector polices
- Optimal mix of opportunities in various sectors such as services, manufacture, mining, agriculture etc.

### Presence of vibrant eco-system for industry

- Has skilled workforce for knowledge-based industries and other processing sectors
- Has a large number of 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

## Business climate

### 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 in the IT industry with IT and ITeS exports of over US\$ 12.6 billion in 2006–07
- It is the 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 for multinational corporations with more than 150 companies
- The state's contribution to the country's GDP is 5.5 percent
- Accounts for 70 percent of coffee production and 70 percent of silk production in India
- Produces over 20 percent of India's electronic hardware,
- Major apparel sourcing centre with exports worth US\$ 714.28 million
- Accounts for 50 percent of the seed production of the country
- Leads the Indian biotechnology industry

Source :Directorate of Economics, Government of Karnataka

## Overall competitiveness of the state

Parameter	Karnataka
Opportunities in industries	
Tourism	
IT-based industries	
Food processing industry	
Pharmaceuticals and bio-tech	
Agro-based industry	
Mineral-based industry	
Engineering industry	
Chemicals industry	
Textiles and apparels	
Handloom and handicrafts sector	



High




Medium



Low



## Overall competitiveness of the state

Parameter	Karnataka
<b>Policy incentives</b>	
Fiscal and non-fiscal incentives	
Cost of doing business	
Availability of labour	
Setting up and carrying out business	
<b>Industrial infrastructure-existing and proposed</b>	
Power	
Connectivity	
Industrial estates/areas	
STP/IT parks	
EPIP	



High



Medium



Low

## DISCLAIMER

India Brand Equity Foundation (“IBEF”) engaged Ernst & Young Pvt Ltd to prepare this presentation and the same has been prepared by Ernst & Young Pvt Ltd in consultation with IBEF.

All rights reserved. All copyright in this presentation and related works is solely and exclusively owned by IBEF. The same may not be reproduced, wholly or in part in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this presentation), modified or in any manner communicated to any third party except with the written approval of IBEF.

This presentation is for information purposes only. While due care has been taken during the compilation of this

presentation to ensure that the information is accurate to the best of Ernst & Young and IBEF’s knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

Ernst & Young and IBEF neither recommend nor endorse any specific products or services that may have been mentioned in this presentation and nor do they assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed on this presentation.

Neither Ernst & Young nor IBEF shall be liable for any direct or indirect damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this presentation.