

# *Investment Climate in Karnataka*



**Presentation by**

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***Industrial Policy  
2001 - 2006***

# **Industrial Policy 2001 – 2006**

## **Objectives Set out :**

- ❖ Promote rapid industrial growth in the state keeping in mind the state's priorities and socio economic objectives :**
  - ✓ Bring about balanced regional development.**
  - ✓ Create the much needed jobs for the locals.**
  - ✓ Make optimal utilisation of resources locally and enhance value addition.**
- ❖ Provide access to hi-quality Infrastructure.**
- ❖ Provide an enabling environment for growth of industries.**
- ❖ Enhance productivity & competitiveness of industries in the state.**
- ❖ Enable industries to access new markets.**

# **Industrial Policy 2001 – 2006**

- ❖ **The target was to achieve an average industrial growth rate of 10% to 12 % per year.**
- ❖ **Attract investments of at least Rs. 20,000 crores per year and create on an average employment of at least 1.5 lakhs per year.**
- ❖ **These objectives and targets were to be achieved through a combination of policies & projects.**
- ❖ **Incentives and concessions also offered to new investments.**

# Index of Industrial Production : Growth Forecast (%) (Indian Industry)

Sector	Weight	01 – 02	02 – 03	03 – 04	04 – 05	05 – 06 (Forecast)
Mining & Quarrying	10.47	0.5	5.8	5.3	4.2	5.5
Electricity	10.17	3.1	3.2	5.0	5.1	5.5
Manufacturing	79.36	2.9	6.0	7.4	8.8	8.0
Index of Industrial Production	100	2.6	5.8	7.0	8.1	7.5

Source: CMIE

# Index of Industrial Production of Karnataka 2001 – 02 to 2003 – 04

Division / Sector	Weight	2001 – 02	2002 – 03	2003 – 04*
Mining	2.3550	21.40	10.50	23.81
Manufacturing	89.3083	3.30	10.18	7.15
Electricity	8.3367	5.87	-3.22	3.89
General Index	100	3.89	5.88	7.29

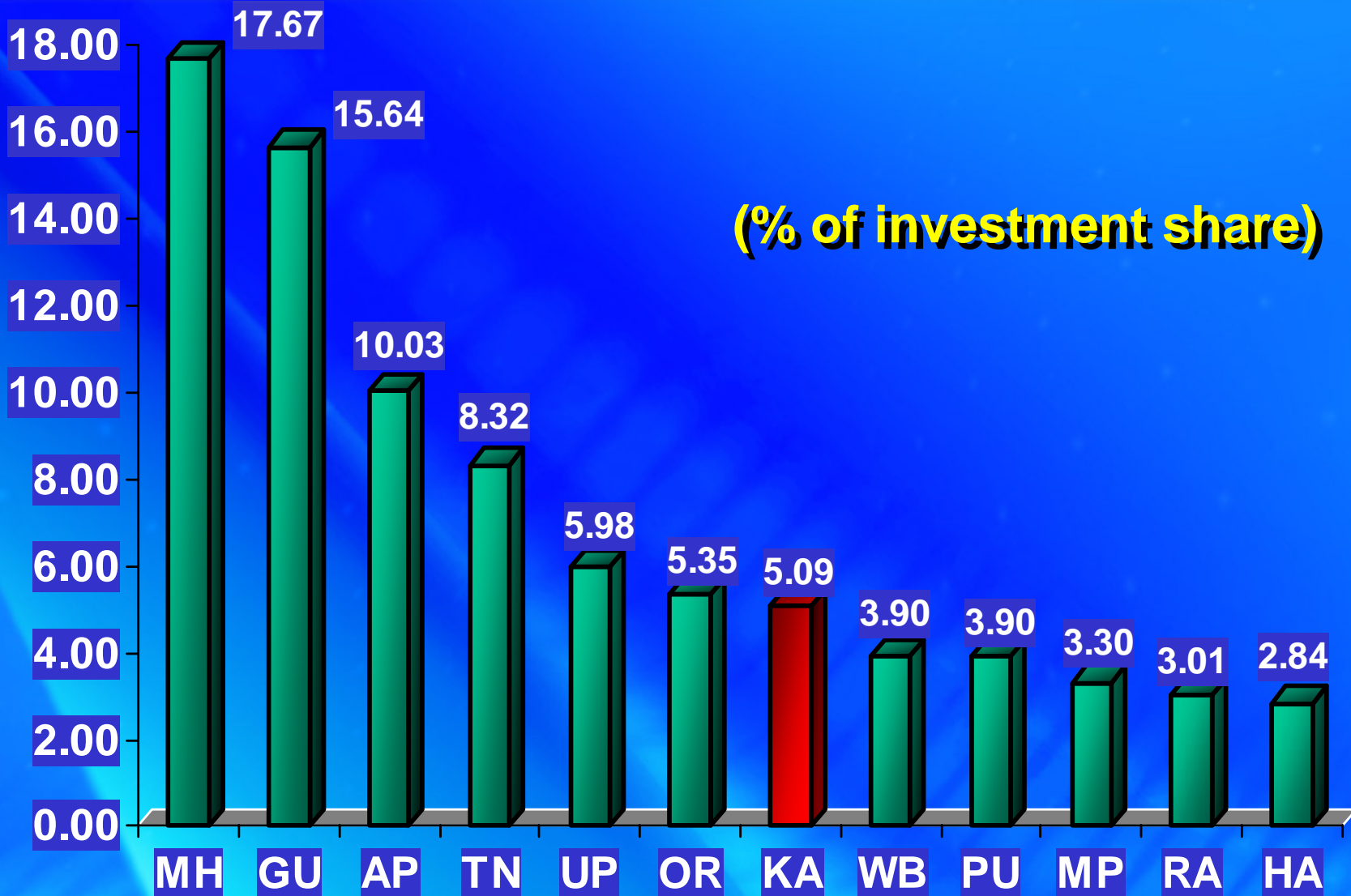
**Note: 1) \* Provisional figures.**

**Source: Directorate of Economics & Statistics, Bangalore.**

# IEMs Filed : August 1991 – October 2004

State	IEMs filed	% Share in total	Investment (Rs. Cr.)	% Share in total
Andhra Pradesh	3703	6.69	137973	10.03
Assam	319	0.58	5807	0.42
Bihar	149	0.27	3055	0.22
Delhi	484	0.87	6507	0.47
Gujarat	6849	12.38	215062	15.64
Haryana	3193	5.77	39078	2.84
Jammu & Kashmir	251	0.45	3638	0.26
<b>KARNATAKA</b>	<b>2179</b>	<b>3.94</b>	<b>69983</b>	<b>5.09</b>
Kerala	502	0.91	8390	0.61
Madhya Pradesh	2110	3.81	45360	3.30
Maharashtra	10833	19.58	243027	17.67
Orissa	664	1.20	73517	5.35
Punjab	2337	4.22	53680	3.90
Rajasthan	2638	4.77	41414	3.01
Tamil Nadu	4556	8.23	114469	8.32
Uttar Pradesh	4788	8.65	82261	5.98
Uttaranchal	558	1.01	9251	0.67
West Bengal	3115	5.63	53658	3.90
<b>All India</b>	<b>55335</b>	<b>100.00</b>	<b>1375152</b>	<b>100.00</b>

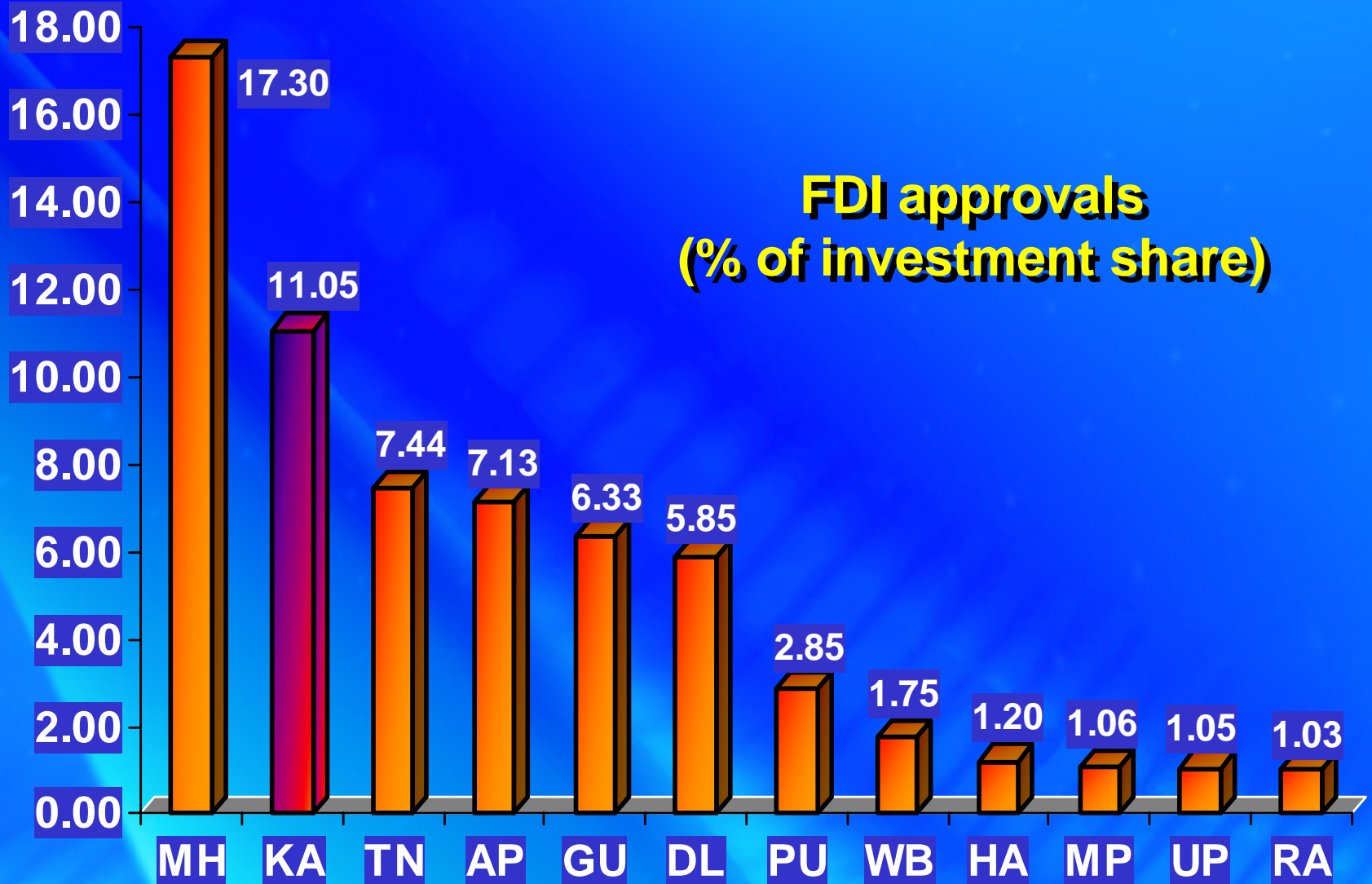
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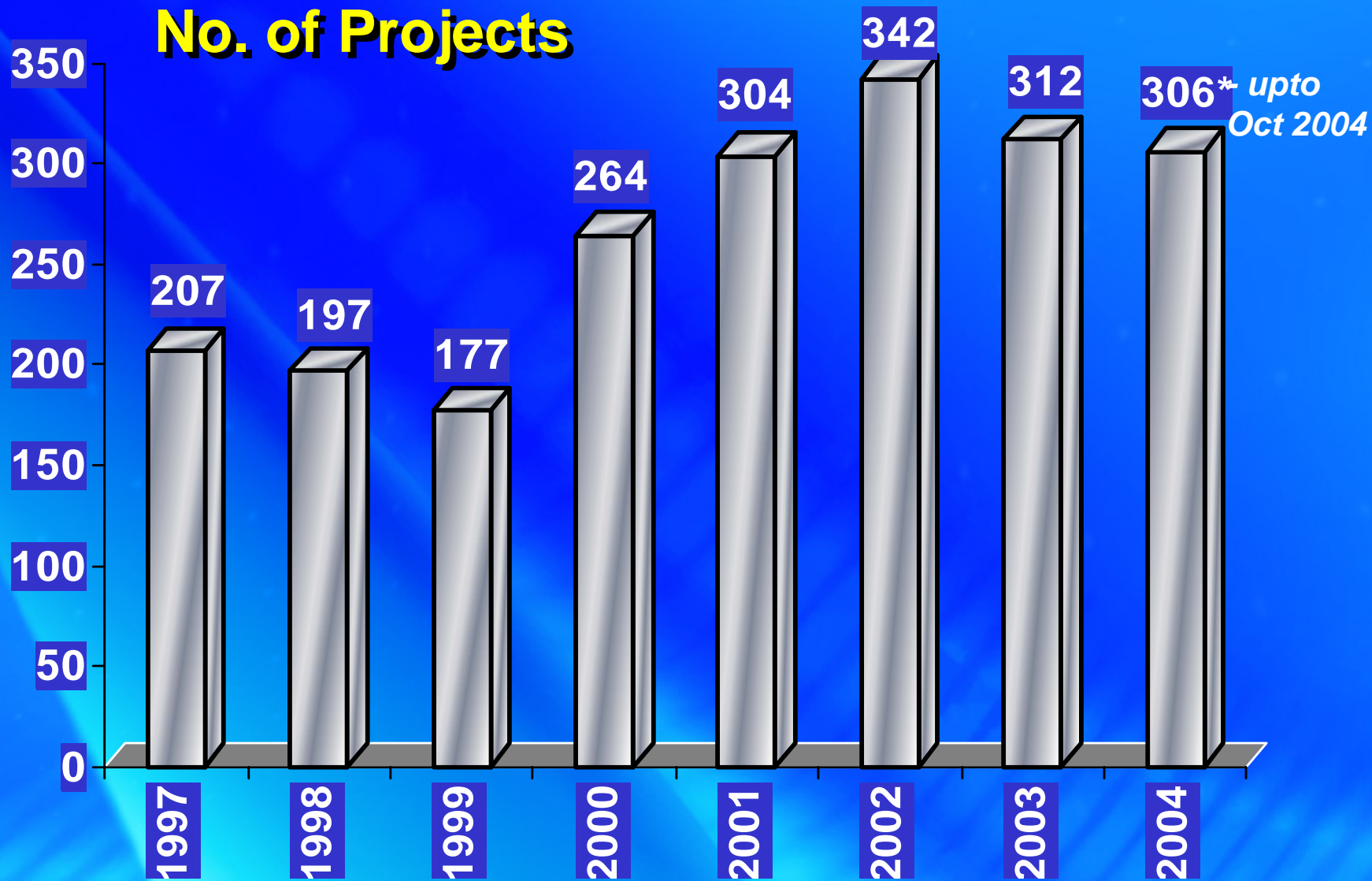
# Foreign Direct Investment Approvals : Jan 1997 to Oct 2004

State	Rs. Crore	% Share	Rank
Andhra Pradesh	14608.75	7.13	4
Bihar	96.62	0.05	19
Delhi	11982.43	5.85	6
Gujarat	12960.95	6.33	5
Haryana	2456.06	1.20	10
Jammu & Kashmir	0.40	0.00	30
<b>KARNATAKA</b>	<b>22628.72</b>	<b>11.05</b>	<b>2</b>
Kerala	762.32	0.37	16
Madhya Pradesh	2168.70	1.06	11
Maharashtra	35436.26	17.30	1
Orissa	1717.44	0.84	14
Punjab	5831.15	2.85	7
Rajasthan	2117.50	1.03	13
Tamil Nadu	15234.14	7.44	3
Uttar Pradesh	2158.20	1.05	12
Uttaranchal	21.67	0.01	25
West Bengal	3577.42	1.75	8
<b>All India</b>	<b>204841.98</b>	<b>100.00</b>	

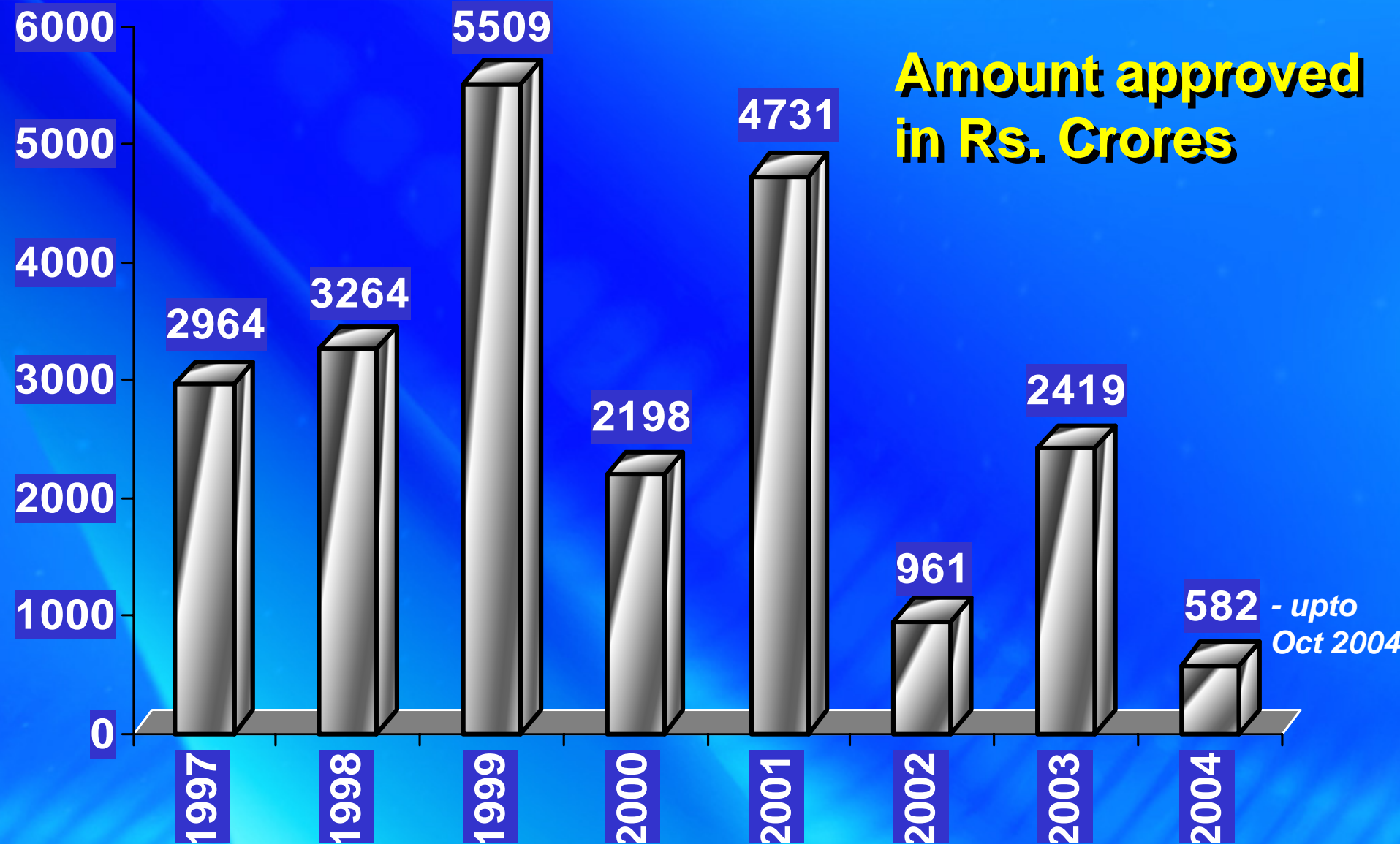
# Foreign Direct Investment Approvals : Jan 1997 to Oct 2004



# FDI Approvals by GOI for Karnataka : Jan 1997 – Oct 2004



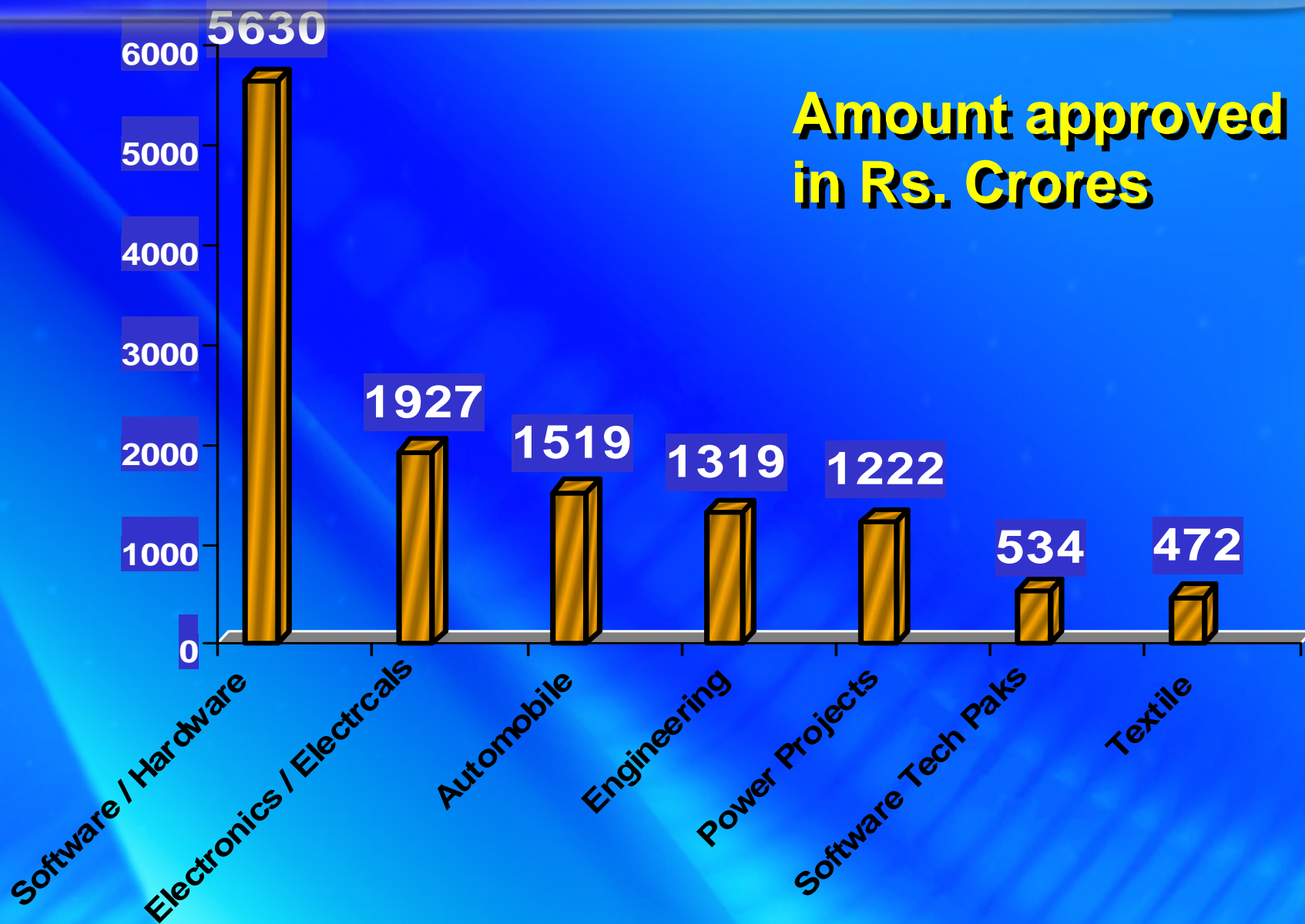
# FDI Approvals by GOI for Karnataka : Jan 1997 – Oct 2004



# FDI Approvals by GOI for Karnataka :

## – Product wise details : Jan 1997 to Oct 2004

Amount approved  
in Rs. Crores



# FDI Approvals by GOI for Karnataka :

## – Country wise details : Jan 1997 to Oct 2004

	Name of Country	Nos.	Investment (in Crores)
1.	Belgium	21	3767
2.	USA	705	3418
3.	Japan	159	2097
4.	Mauritius	174	1836
5.	U.K.	128	1674
6.	NRI	187	1076
7.	Singapore	120	707
8.	Germany	153	576
9.	Netherlands	55	257
10.	Switzerland	50	122
11.	Italy	25	88
12.	Korea ( South )	20	58
13.	Others	312	6952
	<b>Total</b>	<b>2109</b>	<b>22628</b>

# Industrial Investments approved in Karnataka : 2001 – 02 to 2004 – 05

**SLHCC**

	Period	No. of Projects	Investment (Rs. in Crores)	Employment (in Nos.)
1.	2001 – 02	20	5872	30688
2.	2002 – 03	7	1179	9532
3.	2003 – 04	30	8745	101264
4.	2004 – 05	30	32418	137676
Total		87	48214	279160

**SLSWCC**

2.	2002 – 03	95	1823	32072
3.	2003 – 04	164	3893	111453
4.	2004 – 05	202	4525	109028
Total		564	12284	298560

**SSI**

1.	2001 – 02	16964	479	73195
2.	2002 – 03	12029	408	57371
3.	2003 – 04	12220	371	56790
4.	2004 – 05	11233	385	49998
Total		52446	1643	237354
<b>Grand Total</b>			<b>62141</b>	<b>815074</b>

# Project Approvals SHLCC District Wise : 2001 to 2005

Sl. No.	District	PROJECTS CLEARED		PROJECTS IMPLEMENTED	
		Nos.	Investment (Rs. in crores)	Nos.	Investment (Rs. in crores)
1	Bangalore Rural	7	2142.13	2	464.55
2	Bangalore Urban	45	12235.19	21	2694.48
3	Belgaum	2	118.00	0	0
4	Bellary	11	6250.78	1	51.00
5	Bidar	1	550.00	0	0
6	Bijapur	1	189.92	0	0
7	Dakshina Kannada	6	22024.84	0	0
8	Davanagere	1	247.00	0	0
9	Dharwad	2	248.00	0	0
10	Gulbarga	1	432.50	0	0
11	Hassan	3	731.34	0	0
12	Koppal	2	639.50	0	0
13	Mysore	2	585.00	0	0
14	Shimoga	2	198.00	0	0
15	Udupi	1	1838.20	0	0
<b>TOTAL</b>		<b>87</b>	<b>48213.40</b>	<b>25</b>	<b>3710.03</b>

# Project Approvals SHLCC

## Product Wise : 2001 to 2005

Sl. No.	Product	PROJECTS CLEARED		PROJECTS IMPLEMENTED	
		Nos.	Investment (Rs. in crores)	Nos.	Investment (Rs. in crores)
1	Electronics / Telecom.	6	2451.10	3	1591.00
2	Software / Hardware	9	3145.61	3	457.86
3	Engineering	9	6464.98	0	0
4	Automobile	2	860.00	2	860.00
5	Food Processing	1	141.60	0	0
6	Textiles	4	580.63	0	0
7	Drugs / Chemicals	8	2020.62	3	506.62
8	Cement	2	109.00	0	0
9	Sugar (Inc. Co-gen)	5	645.92	0	0
10	Petroleum Process	6	13999.50	0	0
11	Hotel / Tourism	3	654.50	0	0
12	Research & Development	2	130.67	2	130.67
13	Infrastructure	5	1804.84	2	106.00
14	Power Project	8	11617.34	0	0
15	Software Tech. Park	14	3116.98	8	1095.62
16	Others	3	206.61	1	77.61
	<b>TOTAL</b>	<b>87</b>	<b>48213.40</b>	<b>25</b>	<b>3710.03</b>

# SLSWA Approvals for Karnataka :

## – District wise details : 2001 to 2005

Sl. No.	District	PROJECTS CLEARED			PROJECTS IMPLEMENTED		
		Nos.	Investment (Rs. in crores)	Employment (in Nos.)	Nos.	Investment (Rs. in crores)	Employment (in Nos.)
1	Bagalkot	7	207.13	2031	1	23.57	97
2	Bangalore Rural	50	912.10	23683	8	134.83	3368
3	Bangalore Urban	275	6346.80	231328	73	1264.74	27102
4	Belgaum	12	280.33	1683	6	145.69	563
5	Bellary	54	962.87	4819	16	210.46	1346
6	Chickmagalur	4	84.08	166	0	0	0
7	Chitradurga	4	125.12	417	1	49.50	60
8	Dakshina Kannada	11	240.44	1483	1	35.60	921
9	Davanagere	6	73.92	844	5	56.47	744
10	Dharwad	26	550.19	11085	6	54.16	6267
11	Gulbarga	10	181.08	368	1	7.20	6
12	Hassan	11	290.24	1217	1	5.65	250
13	Kolar	9	93.76	835	2	10.00	200
14	Koppal	16	513.74	1843	3	79.02	192
15	Mandya	4	79.28	167	1	22.20	6
16	Mysore	19	310.51	10483	7	83.76	1610
17	Raichur	7	203.51	343	2	54.31	166
18	Shimoga	6	188.37	973	0	0	0
19	Tumkur	13	190.76	1747	4	32.76	113
20	Uttara Kannada	12	338.58	2476	1	4.56	102
21	Others	8	111.29	569	1	32.00	220
<b>TOTAL</b>		<b>564</b>	<b>12284.1</b>	<b>298560</b>	<b>140</b>	<b>2306.48</b>	<b>43333</b>

# SLSWA Approvals for Karnataka :

## – Product wise details : 2001 to 2005

Sl. No.	Product	PROJECTS CLEARED			PROJECTS IMPLEMENTED		
		Nos.	Invest. (Rs. in crores)	Employ. (in Nos.)	Nos.	Invest. (Rs. in crores)	Employ. (in Nos.)
1	Electronics / Telecom.	11	178.30	2255	3	52.40	543
2	Software / Hardware	46	1149.64	49758	8	200.99	6885
3	Engineering	109	2200.74	15224	28	271.72	2071
4	Automobile	17	198.95	8017	10	118.47	6999
5	Floriculture / Agriculture	5	38.30	2980	2	12.50	350
6	Food Processing	38	471.49	4512	16	204.96	2129
7	Granites / Marble	3	24.78	121	1	8.88	50
8	Textiles	38	723.90	29786	16	304.15	7202
9	Plastic / Rubber	15	190.37	1312	6	30.52	394
10	Drugs / Chemicals	31	574.94	4047	7	105.26	1215
11	Cement	6	121.22	544	2	7.25	101
12	Sugar (Inc. Co-gen)	6	256.95	2195	2	80.86	397
13	Distilleries / Breweries	5	98.76	415	3	83.97	268
14	Petroleum Process	12	244.72	5500	1	2.30	97
15	Hotel / Tourism	52	1060.03	9656	4	49.46	300
16	Research Development	6	151.51	1228	6	151.51	1228
17	Infrastructure	6	155.60	7174	0	0	0
19	Power Project	48	1382.23	2643	9	220.67	255
19	Software Tech. Park	81	2554.98	147315	9	315.92	11804
20	Others	29	506.71	3878	7	84.70	1045
<b>TOTAL</b>		<b>564</b>	<b>12284.12</b>	<b>298560</b>	<b>140</b>	<b>2306.49</b>	<b>43333</b>

# SSI Units in Karnataka 2001 - 2005

Sl. No.	District	No. of projects	Investment (Rs. in crores)	Employment (in Nos.)
1	Bangalore Urban	6987	361	54276
2	Bangalore Rural	3040	096	12897
3	Belgaum	3151	097	13840
4	Bellary	1917	080	8726
5	Bidar	1033	022	4217
6	Bijapur	1495	035	6813
7	Chickmagalur	1294	034	4951
8	Chitradurga	1440	032	5582
9	Dakshina Kannada	2863	056	8733
10	Dharwad	3078	086	12970
11	Gulbarga	2449	054	9201
12	Hassan	2095	043	7916
13	Kodagu	359	013	1313
14	Kolar	1948	100	10378
15	Mandya	1364	035	4988
16	Mysore	2691	068	8681
17	Raichur	1437	043	5278
18	Shimoga	1832	040	6567
19	Tumkur	2729	080	10374
20	Uttara Kannada	1441	041	6281
21	Bagalkot	1279	037	5275
22	Chamarajanagar	781	017	3573
23	Davanagere	1540	028	4880
24	Gadag	1056	023	3797
25	Haveri	1071	021	3907
26	Koppal	842	040	4412
27	Udupi	1239	061	7528
<b>TOTAL</b>		<b>52451</b>	<b>1643</b>	<b>237344</b>

# Classification of SSIs : 2001 – 2005

Sl. No.	Product	No. of projects
1	Food and Beverage	6356
2	Textile and Garments	8997
3	Wood Based	6299
4	Printing and Stationery	1300
5	Leather and Leather Products	1799
6	Rubber and Plastics	921
7	Chemicals	1206
8	Glass and Ceramics	1000
9	Basic Metal	1245
10	General Engineering	3747
11	Elec. & Electronics	1523
12	Automobile	500
13	Transport	16
14	Ferrous and Non- Ferrous	255
15	Job Work	5691
16	Misc. products	5790
17	Others	5806
<b>TOTAL</b>		<b>52451</b>

# Export performance of Karnataka State

Sl. No.	Commodity	2001-02	2002-03	2003-04	2004-05 (Prov)
1	Electronics & Computer Software	11533.06	15899.77	20522.28	31488.73
2	Readymade Garments*	2820.00	4000.00	4038.00	4038.00*
3	Petroleum & Petroleum Products	NA	1915.00	4472.15	6186.00
4	Engineering	1048.07	1650.11	1899.49	2147.35
5	Iron Ore and Minerals (incl. granites)	691.56	1524.10	2093.43	4480.00
6	Silk Products	672.24	746.09	967.99	898.80
7	Coffee Products	881.42	730.65	757.57	705.65
8	Basic Chemicals, Pharmaceuticals & Cosmetics	320.24	413.33	649.22	746.03
9	Agriculture & Processed Food Products	349.51	366.99	361.25	362.41
10	Gem and Jewellery	281.05	295.85	2631.00	4644.00
11	Cashew and Cashew Kernals	163.54	279.83	265.72	518.35
12	Handicrafts*	48.59	260.58	324.28	324.28*
13	Leather Products	237.64	221.58	276.51	186.75
14	Chemicals & Allied Products	201.22	215.36	338.62	340.52
15	Marine Products	85.76	96.91	81.58	91.65
16	Plastic Goods	83.07	96.84	749.07	2779.10
17	Spices	69.12	91.65	99.58	109.54
18	Wool & Woollen Products	44.46	76.80	89.25	109.40
19	Miscellaneous & Others	615.03	1016.55	1053.25	775.13
	<b>Total</b>	<b>20145.58</b>	<b>29897.99</b>	<b>41670.24</b>	<b>60931.69</b>

(Rs. in crores)

\* Figures awaited from the Councils / Associations. Last year figures adopted.

Note: State wise Export Statistics is not available. An attempt is made to compile export statistics of Karnataka from various sources like Directorate General of Commercial Intelligence & Statistics / Export Promotion Councils / Commodity Boards etc.

# Comparison of Karnataka with Country's Exports

(Rs. In Crores)

INDIA	2001-02	2002-03	2003-04	2004-05	% Growth
Computer Software	38500.00	46500.00	58000.00	74820.00	29%
Product Exports	209017.97	252789.96	291581.93	356068.00	22%
Total	245517.97	299289.96	349581.93	430888.00	23%

KARNATAKA	2001-02	2002-03	2003-04	2004-05	% Growth
Computer Software	9903.00	13338.00	18100.00	27600.00	52%
Product Export	10242.58	16559.99	23570.24	33331.69	41%
Total	20145.58	29897.99	41670.24	60931.69	46%

Karnataka's %age share in all India Exports	2001-02	2002-03	2003-04	2004-05
	8.21%	9.99%	11.92%	14.14%

# *Infrastructure Support*

# **Infrastructure Support**

- ✓ **It was recognized that quality infrastructure at competitive prices should be offered to industries.**
- ✓ **Sector specific and location specific technology parks / industrial areas / estates and corridors to be established through public - private partnership approach.**
- ✓ **Industrial townships to be established in major industrial locations to manage basic infrastructure like roads, water supply, etc...**
- ✓ **Ensure uninterrupted and quality power.**

# **Sector Specific, Location Specific Industrial Park proposed over the policy period**

- 1. Five agro food processing parks at Malur, Bagalkot, Belgaum, Chitradurga & Maddur.**
- 2. Two apparel parks : one each in Bangalore & Bellary.**
- 3. SEZ in Hassan.**
- 4. An export promotion industrial park in Mangalore.**
- 5. Three auto parks : one each at Bidadi, Shimoga & Dharwad**

# Food Parks

- **Govt. actively persuing the task of setting up 6 food parks ( Jewargi being the 6<sup>th</sup> location) as part of government`s strategy to develop food processing industry.**
- **Capital subsidy of Rs. 8 crores availabe for investment in capital intensive activites such as : Cold Storage, Warehouse, Quality Control Labs, ETP, Training / Conference facilities, etc...**
- **Parks to come up as clusters with an anchor industry.**
- **Parks being facilitated by Food Karnataka Ltd, through JV companies.**
- **JV companies incorporated and lands acquired for the purpose in all cases except in Belgaum.**

# Textile Parks

- **With the phasing out of quota regime with effect from 1-1-2005, need to provide an enabling environment to integrate textile sector with global market.**
- **Based on demand survey and the availability of skills and resources textile parks are planned in the following places :**
  1. **Doddaballapur – 2<sup>nd</sup> phase land acquisition in progress (1<sup>st</sup> phase almost completed except for ETP).**
  2. **Bellary jeans park (land acquisition completed)**
  3. **Kanakpura apparel SEZ (land acquisition in progress)**
  4. **Anekal silk hi-tech park (land acquisition in progress)**
  5. **Mysore textile park**
  6. **Ramanagar textile park**
  7. **Belgaum textile park**
  8. **Davanagere textile park**
- **Power subsidy being provided to powerlooms.**

# **Industrial Infrastructure Up-gradation Scheme**

- **Initiated by the GOI to enhance the competitiveness of domestic industry by providing quality infrastructure through PPP approach.**
- **Selection of clusters based on the number of units, persons employed and growth & export potential.**
- **User driven and implementation by SPV at the individual cluster level.**
- **Sustainability of assets through revenue generation**
- **2 project proposals approved by GOI.**

# Proposals under Industrial Infrastructure Upgradation Scheme (Cluster Development)

*(Rs. in crores)*

Sl. No.	Particulars	Cost of Project	Share of GOI	Amount released by GOI	Share of Stake Holders & GOK	Amount Released by GOK
1.	Machine Tool Industrial Cluster, Peenya	135.50	49.12	16.37	86.38	0.97
2.	Foundry Cluster, Belgaum	24.78	18.58	6.19	6.20	0.92
3.	Industrial Valve Cluster, Hubli / Dharwad	40.00	30.00	--	10.00	--
4.	Auto Components Cluster, Shimoga	58.36	43.77	--	14.59	--

## **SEZs approved for the following locations :**

- 1. General purpose SEZ at Hassan (RFP issued).**
- 2. Sector specific SEZs at :**
  - a.) Mangalore – IT / ITES**
  - b.) Hassan – textiles**
  - c.) Mangalore – petrochemicals**
- 3. Also proposed Bio Park / Hardware Park in Bangalore & a SEZ for apparels in Kanakapura.**

# **Streamlining Single Window Mechanism & Deregulation of Business Environment**

- 1. Karnataka Industries (Facilitation) Act 2002 in place. Single Window Mechanism for Industry / Tourism / IT / BT / Agro Food Processing & Infrastructure.**
- 2. Rules published in August, 2004.**
- 3. This legislation provides for :**
  - a) First contact point for investors.**
  - b) Combined application form.**
  - c) Single window clearance.**
  - d) Rationalization of inspections.**
- 4. Promotes investor friendly & transparent administration**
- 5. SEZ legislation.**

# **Incentives & Concessions**

**After rigorous scrutiny, incentives & concessions limited to :**

- 1. Subsidy**
- 2. Entry tax exemptions**
- 3. Spl. concessions for exports / EOUs / SEZs.**
- 4. Waiver of conversion fee.**
- 5. Relief for sick industries.**
- 6. VAT introduced in the state with effect from 1-04-2005.**

## **The way forward...**

- ✓ **A vibrant manufacturing sector essential for rapid economic growth.**
- ✓ **Manufacturing sector is showing buoyancy.**
- ✓ **India`s exports have been rising.**
- ✓ **Emerging as an important supplier of skill intensive products – auto components, pharmaceuticals, speciality chemicals, apparel, leather, jewellery, iron & steel and aluminium.**

# **The way forward...**

- 1. Investments in transport infrastructure –**
  - railways,**
  - roads,**
  - ports &**
  - airports.**

**Infrastructure plan related to needs of this sector to remove bottlenecks.**

- 1. Quality electric power at reasonable rates.**
- 3. World class industrial areas including maintenance & up-gradation of existing industrial areas.**
- 4. Establishment of industrial townships and delegation of powers.**
- 5. Rationalization and simplification of Labour Laws.**

# The way forward...

6. **Employment to locals – quality education / demand driven.**
7. **Amendments to APMC Act & release of barren land for raising industrial plantations.**
8. **Rational Policy on incentives & concessions.**
9. **Competitiveness of SMEs**
  - increased credit flow,
  - problem of multiple inspections
  - reduction in transaction costs
  - sickness
10. **Environmental concerns**
  - EIA / EMP for industrial areas / mining areas
  - CETP & sites for disposal of hazardous waste

# **The way forward...**

## **11. Mineral Sector**

- procedural simplification**
- transparency**
- transportation needs**

## **12. Problems of Bangalore city.**

## **13. Trade facilitation & export promotion (exports of US\$ 500 billion by 2010)**

## **14. Reliability of trade & industrial production data**

## **The way forward...**

### **15. Strategy for industrialization of 39 most backward taluks as identified by the High Power Committee for Redressal of Regional Imbalances**

- 1. Create new investment opportunities based on local resources, local skills and demand.**
- 2. Provide ready-to-use infrastructure like developed industrial land, shed, plots for industries at subsidized cost.**
- 3. Provide adequate and uninterrupted power for industries through strengthening distribution system.**
- 4. Human resource development.**
- 5. Attract atleast one anchor industry to each taluk**

## **The way forward...**

- 6. Develop industries on cluster basis with more focus on local artisans with technology and design inputs.**
- 7. Provide need based and production linked incentives and concessions like capital subsidy & interest subsidy on term / working capital loan, exemption from entry tax etc.**
- 8. Market intervention through sector-specific Boards / Corporations.**
- 9. Identification of viable sick industries in the talukas and rehabilitation of such units through special packages.**
- 10. Improvement of roads.**

## **The way forward...**

**New industrial policy due in April 2006.**

- Task force to formulate the policy**
- Examine effectiveness of existing policy**
- Evolve a strategy for industrialization.**

**Thank You**