



Government of Karnataka

# KARNATAKA INDUSTRIAL POLICY 2025-30

## FOREWORD



### SHRI. SIDDARAMIAH

Chief Minister  
Government of Karnataka

Karnataka has long been at the forefront of India's industrial and economic growth, leading the way in manufacturing, technology, and innovation-driven industries. As we take decisive steps towards making Karnataka a \$1 trillion economy, it is imperative that we create an inclusive, sustainable, and forward-looking industrial ecosystem that benefits businesses, investors, and most importantly, our people. The Karnataka Industrial Policy 2025-2030 is a landmark initiative designed to strengthen Karnataka's competitiveness, create large-scale employment, and ensure balanced regional growth across the state.

Our vision is to create an industrial ecosystem that is globally competitive, technologically advanced, and environmentally sustainable, while fostering equitable growth across the state. The Karnataka Industrial Policy 2025-30 is designed to create millions of new jobs, ensuring economic prosperity reaches every corner of the state. Our mission is to strengthen Karnataka's global leadership in key industries by attracting high-value investments across the state.

With its pro-business environment, strategic location, and investor-friendly governance, Karnataka continues to lead India's industrial landscape. This new policy would further support in shaping the next phase of Karnataka's industrial and economic transformation.



## MESSAGE BY HON'BLE DEPUTY CHIEF MINISTER



### SHRI. D. K. SHIVAKUMAR

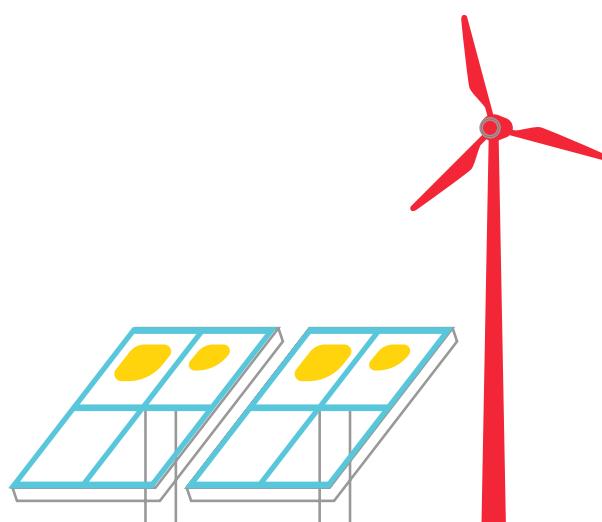
Hon'ble Deputy Chief Minister  
Government of Karnataka

As Karnataka strides toward becoming a global leader in industrial growth and economic development, it is crucial that our policies are future-ready, sustainable, and inclusive. The Karnataka Industrial Policy 2025-2030 is designed to position the state as a premier investment destination, ensuring that our industries remain resilient, innovative, and globally competitive.

A key focus of this policy is sustainability and responsible industrialization. This policy is forward-looking and innovation-driven, fostering the development of new-age industries, research & development, and emerging technologies. Karnataka is committed to strengthening its ecosystem for cutting-edge manufacturing, high-value services, and technological advancement, ensuring that our industries are future-ready and globally relevant.

Furthermore, the policy supports balanced regional growth, ensuring that industrial expansion is not just limited to Bengaluru but extends to Tier-2 and Tier-3 cities. By improving infrastructure, skill development, and ease of doing business, we are enabling industries across Karnataka to flourish and contribute to the state's economic progress.

Karnataka has always been at the forefront of progressive and investor-friendly policies, and this policy is yet another step towards ensuring sustained industrial growth, economic resilience, and job creation. I invite investors, entrepreneurs, and businesses to partner with us in shaping Karnataka's future as a hub for sustainable and innovation-driven industries.



## MESSAGE BY HON'BLE MINISTER FOR LARGE AND MEDIUM INDUSTRIES AND INFRASTRUCTURE DEVELOPMENT



### SHRI. M. B. PATIL

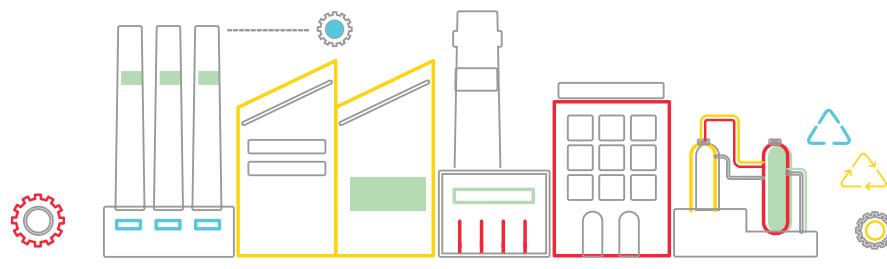
Hon'ble Minister for Large and Medium Industries and  
Infrastructure Development  
Government of Karnataka

Karnataka has consistently been at the forefront of industrial innovation, economic growth, and investment promotion in India. The Karnataka Industrial Policy 2025-2030 is a reflection of our commitment to creating a globally competitive business environment, ensuring ease of doing business, and fostering industrial infrastructure that supports long-term economic growth. This policy is designed to attract large-scale investments, with a focus on new-age manufacturing, sustainability-driven industries, and emerging technology sectors. With an ambitious investment target of INR 7,50,000 crore, we are committed to ensuring that Karnataka remains the most attractive destination for both domestic and foreign investors.

The Karnataka Industrial Policy 2025-2030 is built on four key pillars that drive industrial growth, attract investments, and enhance competitiveness. The first pillar focuses on financial incentives, offering flexible and production-linked benefits to support businesses and encourage new investments.

The second pillar emphasizes world-class infrastructure, with the development of industrial parks, logistics hubs, and integrated ecosystems through public-private partnerships. The third pillar strengthens Ease of Doing Business (EoDB) by streamlining approvals, enhancing digital facilitation, and implementing an AI/ML-enabled single-window system for investor support. Lastly, the policy prioritizes human capital development, fostering industry-academia collaborations to equip the workforce with future-ready skills. Together, these pillars ensure a sustainable, innovation-driven, and investor-friendly industrial ecosystem in Karnataka.

With a strong foundation in investment-friendly policies, cutting-edge industrial infrastructure, and workforce development, Karnataka is well-positioned to drive India's economic transformation. I encourage all investors, industries, and stakeholders to take advantage of this policy and join Karnataka's journey towards a more prosperous, sustainable, and innovation-driven future.



## MESSAGE BY HON'BLE MINISTER FOR SMALL SCALE INDUSTRIES AND PUBLIC ENTERPRISES



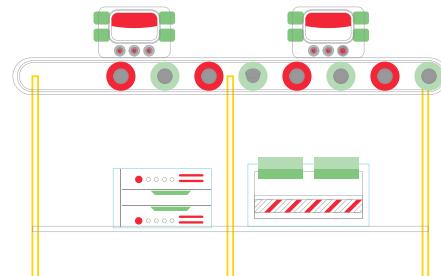
### SHRI. SHARANABASAPPA DARSHANAPUR

Hon'ble Minister for Small Scale  
Industries and Public Enterprises  
Government of Karnataka

The MSME sector is the backbone of Karnataka's industrial ecosystem, driving innovation, employment, and regional economic development. With over 8 million MSMEs, Karnataka has been at the forefront of entrepreneurial growth, contributing significantly to manufacturing, exports, and technology-driven industries. The Karnataka Industrial Policy 2025-2030 is a transformational roadmap aimed at empowering MSMEs by fostering a business-friendly environment, access to finance, modern infrastructure, and skill development programs.

This policy focuses on strengthening MSMEs through targeted incentives, technology adoption, and access to global markets. The introduction of sector-focused MSME clusters, enhanced financial support, and digital integration initiatives will enable Karnataka's small businesses to scale, compete, and thrive in the rapidly evolving industrial landscape. Additionally, special emphasis has been placed on promoting MSMEs in Tier-2 and Tier-3 cities, ensuring equitable economic growth across the state.

As Karnataka moves toward becoming a \$1 trillion economy, MSMEs will play a pivotal role in shaping the state's industrial future. I encourage entrepreneurs, small business owners, and investors to leverage the opportunities provided under this policy and actively contribute to Karnataka's growth story. Together, we can build a resilient, future-ready, and globally competitive MSME ecosystem that drives inclusive and sustainable industrial development.





# PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

Sub: Karnataka Industrial Policy 2025-30 – reg.  
Read: G.O. No. CI 199 SPI 2018, dated 13.08.2020..

## PREAMBLE

Karnataka is a land of immense opportunity and innovation. It is ideally positioned to make the future happen today. The State's manufacturing operations are supported by critical enablers such as a thriving ecosystem, a highly skilled and talented workforce, an empowering institutional & policy environment, a favorable business climate and robust infrastructure.

Government of Karnataka comes out with industrial policies at regular intervals of five years to ensure a well-balanced, sustainable and inclusive industrial development throughout the State. The State Government had announced Industrial Policy 2020-25 for promoting manufacturing industries in the State. This Policy came into effect from 13.08.2020 and had validity for a period of 5 years or till the announcement of the New Industrial Policy.

Karnataka has witnessed tremendous growth across key macroeconomic parameters such as State Gross Domestic Product, Industrial Growth and investment inflows over the last few years. Now is the time to change gears and embark onto a path of disruptive strategic reforms to place Karnataka on the global value chain map.

Investments worth INR 5,00,360 crore over 2200 units were approved on a target of INR 5,00,000 crore despite the challenging times in Covid. Karnataka in doing so became the largest exporting State (Merchandise + Services) in India for 2023-24. Also, 3,95,603 manufacturing MSME enterprises are registered in Government of India's Udyam portal from Aug 2020 to Sep 2024.

During the formulation of the Karnataka Industrial Policy 2025-30, several interactions and stakeholder consultations were held across the State wherein views, demands and suggestions of industry/industry associations/departments on key areas have been received and intricately incorporated into the policy.

Karnataka Industrial Policy 2025-30 mission is to establish an investor-friendly ecosystem in Karnataka by fostering a conducive manufacturing environment through collaboration with the industry and developing human capital to meet the industry's demands. Based on competitive strengths and growth potential, a policy has identified key focus sectors to drive economic development and job creation across the State.

Invest Karnataka-2025: Global Investors Meet is scheduled to be held from 11th-14th February, 2025, which is a prestigious event of the State, wherein, the State Government has to unveil the Karnataka Industrial Policy 2025-30 to attract new investments. Hence, Karnataka Industrial Policy 2025-30 will be placed and ratified in the next Cabinet Meeting.

In view of the above, a decision has been taken by the Government to formulate and adopt Karnataka Industrial Policy for the period 2025-30. Hence, the following order:

# **GOVERNMENT ORDER No. CI 123 SPI 2024(e), BENGALURU, DATED 08.02.2025.**

In the circumstances explained in the preamble, Government is pleased to announce the Karnataka Industrial Policy 2025-30 as detailed in Annexure, enclosed to this Order, to enhance its stature as one of the leading high-tech industrialized States in the country and is at the forefront of attracting investments from across the country and abroad.

The salient features of Karnataka Industrial Policy 2025-30 are as follows:

## **VISION**

To position Karnataka as the #1 destination for High-technology manufacturing investments in Asia through equitable and sustainable development.

## **OBJECTIVES**

The Government of Karnataka envisions attracting investments of INR 7,50,000 Cr across the sectors, generating approximately 20,00,000 new jobs during the Policy Period, and attaining leadership in sunrise sectors in the State.

The policy objectives are as follows:

- ④ Achieve an accelerated annual growth rate of 12% for the manufacturing sector with an investment target of INR 7,50,000 Cr;
- ④ Provide flexibility in incentives to stimulate interest from players across the sectors targeted by Industrial Policy;
- ④ Create employment opportunities for 20,00,000 people by 2030;
- ④ Become a pioneer in sustainability by incentivizing green and sustainable initiatives by investors: Offer sustainability-linked incentives to promote green measures by the existing and new investors while also promoting green industrial areas;

- ④ Balanced and Inclusive Regional Development of Karnataka:
  - Differential incentives for different regions of Karnataka based on the level of industrial growth

- Rationalization of minimum employment threshold with employment booster and additional incentives for women participation in the workforce.

- ④ Attain Leadership in sunrise and new age sectors: Focus on innovation driver sectors like ESDM, Advanced Manufacturing, Aerospace and Defence, Future Mobility, Augmented Reality/Virtual Reality etc.

- ④ Create a seamless experience for investors by digital enablement of Single Window System and dedicated Nodal Officers
  - Dedicated Nodal officers to support investors in their end-to-end investment journey in Karnataka
  - Enhanced digital system powered by AI/ML-based vernacular chatbots
  - Rationalization of SLAs for approvals and setting up cadence for LACs, SHLCC/ SLSWCC
  - Incentive calculator tool for investors

The Karnataka Industrial Policy 2025-30 and package of incentives and concessions shall come into effect from 08.02.2025 and will be valid for a period of 5 years or till a new policy is announced.

This order is issued with the concurrence of the Finance Department vide Note No. FD/527/Exp-1/2024, Dated 03.02.2025; IT, BT Department vide Note No. ITBT/21/ PRM/2024, dated 20.01.2025; Energy Department vide Note No. ENERGY/S/VSC/ 2025, dated 09.01.2025; C&I (MSME) Department vide Note No. CI/108/SSI/2024, dated 29.01.2025; Skill Development Department vide Note No. SDEL/24/ITM/2025, dated 29.01.2025; Transport Department vide Note No. TD/280/TDO/2024, dated 29.01.2025; Planning Department vide Note in File No. CI/123/SPI/2024(P11); Tourism Department vide Note in File No. CI/123/SPI/2024(P13); Labour Department vide Note No. LD/113/KHABHANI/2024, dated 03.02.2025; and approval of the competent authority in File No. CI/123/SPI/2024

By Order and in the name of the  
Governor of Karnataka,

Sd/-

**(Dr. S. SELVAKUMAR)**

Principal Secretary to Government,  
Commerce & Industries Department.



Annexure to G.O. No. CI/123/SPI/2024(e), dated 08.02.2025



**COMMERCE & INDUSTRIES DEPARTMENT  
GOVERNMENT OF KARNATAKA**

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# 01

## VISION, MISSION AND OBJECTIVES

Karnataka is a land of immense opportunity and innovation. It is ideally positioned to make the future happen today. The State's manufacturing operations are supported by critical enablers such as a thriving ecosystem, a highly skilled and talented workforce, an empowering institutional & policy environment, a favorable business climate, and robust infrastructure.

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During the formulation of the New Industrial Policy 2025-30, several interactions and stakeholder consultations were held across the State wherein views, demands, and suggestions of industry/industry associations/departments on key areas have been received and intricately incorporated into the policy.

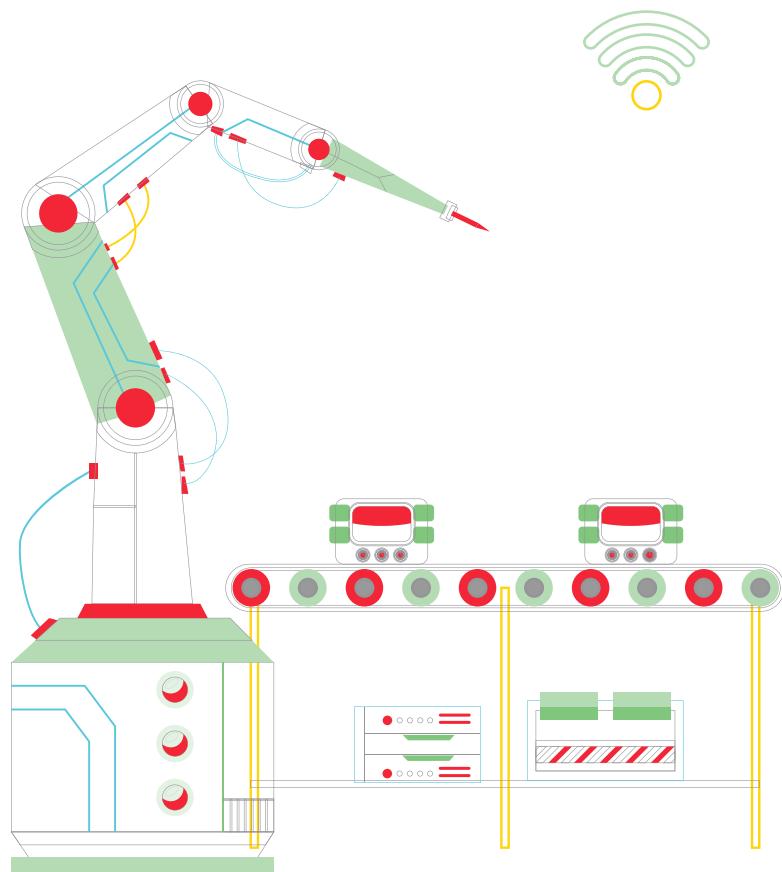
The new industrial revolution presents new opportunities for industry, particularly manufacturing and manufacturing-related service industries including smart manufacturing, customization, collaborative production, etc.

### 1.1. VISION

To position Karnataka as the No.1 destination for High-technology manufacturing investments in Asia through equitable and sustainable development

### 1.2. MISSION

To establish an investor-friendly ecosystem in Karnataka by fostering a conducive manufacturing environment through collaboration with the industry and developing human capital to meet the industry's demands



## 1.3. OBJECTIVES

The Government of Karnataka envisions attracting investments of INR 7,50,000 Cr across the sectors, generating approximately 20,00,000 new jobs during the Policy Period, and attaining leadership in sunrise sectors in the State.

### The policy objectives are as follows:

- Achieve an accelerated annual growth rate of 12% for the manufacturing sector with an investment target of INR 7,50,000 Cr
- Provide flexibility in incentives to stimulate interest from players across the sectors targeted by Industrial Policy
- Create employment opportunities for 20,00,000 people by 2030
- Become a pioneer in sustainability by incentivizing green and sustainable initiatives by investors: Offer sustainability-linked incentives to promote green measures by the existing and new investors while also promoting green industrial areas.
- Balanced and Inclusive Regional Development of Karnataka:
  - Differential incentives for different regions of Karnataka based on the level of industrial growth
  - Rationalization of minimum employment threshold with employment booster and additional incentives for women participation in the workforce

● Attain Leadership in sunrise and new age sectors: Focus on innovation driver sectors like ESDM, Advanced Manufacturing, Aerospace and Defence, Future Mobility, Augmented Reality/Virtual Reality, etc

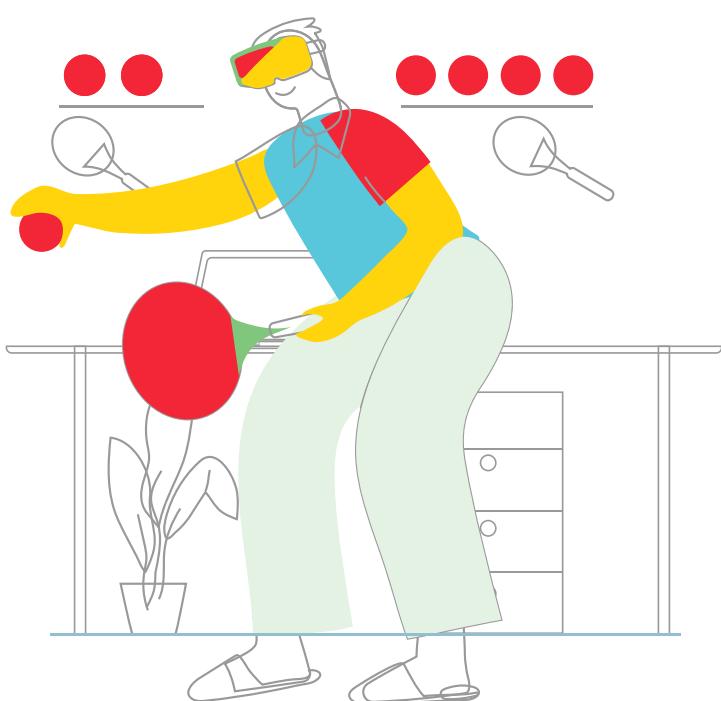
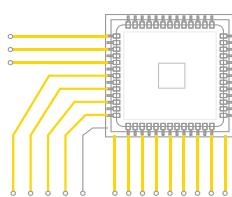
● Create a seamless experience for investors by digital enablement of Single Window System and dedicated Nodal Officers

— Dedicated Nodal officers to support investors in their end-to-end investment journey in Karnataka

— Enhanced digital system powered by AI/ML-based vernacular chatbots

— Rationalization of SLAs for approvals and setting up cadence for LACs, SHLCC/ SLSWCC

— Incentive calculator tool for investors



## 02

# VALIDITY OF THE POLICY

This policy shall be valid for a period of five years from the date of issue of the Government Order or till such time that a new policy is introduced by the Government of Karnataka. Further, the policy is valid for New Manufacturing Investments in Karnataka with the categories defined below. To calculate incentives, the following classification will be considered as per the below table irrespective of the definitions of MSMEs under the MSMED Act.

Further, investments for expansion of capacity will be considered for capital expenditure of new manufacturing facilities set up by an existing enterprise for manufacturing a product that is already being manufactured with / without up-gradation of technology or the process. Further, the enterprise to be eligible for incentives under the expansion program must increase the capital expenditure by at least 25% of the existing fixed investment.

**Table 1-** Definition of Micro, Small and Medium Investments

Category	Investment Amount in Plant and Machinery (INR Crore)
Micro	Upto 1
Small	>1-10
Medium	>10-50

**Table 2-** Definition of Large, Mega, and Ultra Mega Investments

Category	Minimum Total Capital Investment Amount (INR Crore)
Large	>50 – 300
Mega	>300 – 1000
Ultra Mega	>1000

**Table 3-** Eligibility for incentives

Investment	Eligibility for incentives
New	Eligible for incentives basis Category of Investment
Existing Enterprise	Additional investment of at least 25% of existing fixed assets

Further, manufacturing entities eligible under the sectoral policies of Karnataka can also claim incentives under the new Industrial Policy 2025-30. The entity will be able to claim benefits under a single policy (Either Industrial Policy 2025-30 or Sectoral Policy).

## 03

# KARNATAKA'S EXISTING ECOSYSTEM

Karnataka has witnessed tremendous growth across key macroeconomic parameters such as State Gross Domestic Product, Industrial Growth, and investment inflows over the last few years. Now is the time to change gears and embark onto a path of disruptive strategic reforms to place Karnataka on the global value chain map.

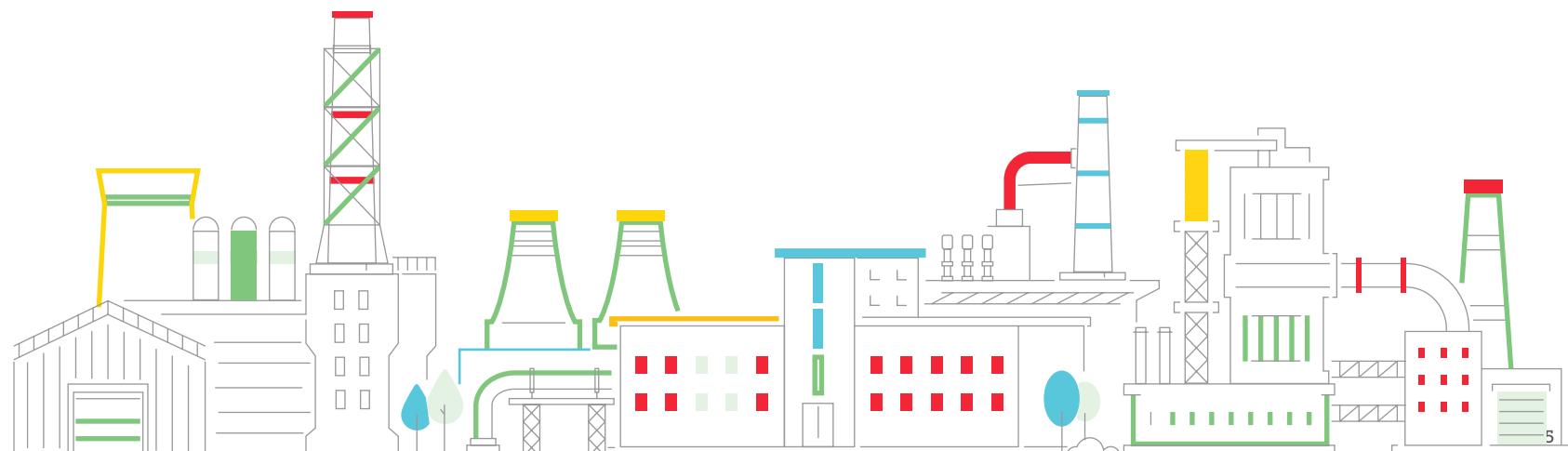
Karnataka has continued to see substantial growth in recent years, with the state's Gross State Domestic Product (GSDP) rising to approximately INR 22.4 trillion (US\$ 271.39 billion) in the fiscal year 2022-23 contributing 8.7% of India's GDP, demonstrating a robust compound annual growth rate of 11.51% from 2015-16 to 2022-23 as per India Brand Equity Foundation. In terms of macroeconomic stability, the latest Economic Survey revealed that Karnataka's GDP grew by 7.9% during 2022-23, and the state has made significant strides in per capita income, which increased by 13.6% at current prices during the same period.

The industrial and manufacturing sectors continue to contribute significantly to the state's economy. In 2022-23, the industry sector grew by almost 6%, showing a gradual recovery from the impacts of COVID-19. Meanwhile, the services sector, bolstered particularly by IT-related services, grew by 9.2%.

Government initiatives have also focused on enhancing Karnataka's stature as a leading high-tech industrialized state. It ranks first in attracting investment intentions and has attracted significant Foreign Direct Investment (FDI), recording \$48.12 billion between October 2019 and December 2023, representing 23% of the total FDI accruals for India during this period and thus ranking 2nd in the country in FDI attraction.

These figures highlight Karnataka's continued economic resilience and growth, underpinning its role as a dynamic player in India's economic landscape, particularly in high-tech and industrial sectors. The state's emphasis on sectors like artificial intelligence, data analytics, machine learning, and robotics has poised it well for future growth and integration into the global value chain.

Government has taken many initiatives to enhance its stature as one of the leading high-tech industrialized States in the country and is at the forefront of attracting investments from across the country and abroad in disruptive technologies viz. Artificial Intelligence, Automation, Electronics Manufacturing, Machine Learning, 3D Printing and Robotics, etc.



### 3.1. ROBUST INFRASTRUCTURE TO SUPPORT INDUSTRIAL GROWTH

Karnataka has a strong history of robust and high-quality industrial infrastructure. Karnataka Industrial Area Development Board has developed more than 200 industrial areas with around 85,000+ acres of industrial land allocated to more than 25,000 units across the state.

Karnataka has an extensive network of roads traveling almost 0.35 million Km. Karnataka ranks 2nd in the country for distance of state highways and has 13 National Highways running through the state.

Karnataka state has a robust and ever-increasing railway network with a total track running about 6,623 km as per Indian Railways Yearbook. This extensive network is managed by the Southwestern Railway Zone, South Central, Southern Central, and Konkan Railway Networks. Further state has taken initiatives to improve the intra-city rail infrastructure by suburban rail projects as well as enhancing the metro projects for improved urban mobility. Multiple new rail projects are being implemented. Bengaluru Metro has total services across 73.81 km with 43.5 km on the East-West Corridor and 30.32 km on the North-South Corridor. Further Phase 2, Phase 2-A, and Phase 2-B are ongoing to add a capacity of 101.73 km with an additional 67 stations. Phase 2-B of the project will connect the Bengaluru city to Karnataka International Airport Terminal. Further, upcoming Phase 3 and Phase 3-A will add 79 km of metro lines and an additional 69 stations.

Karnataka has 9 airports at Bengaluru, Mangalore, Mysore, Belagavi, Hubbali, Bidar, Kalaburagi, Ballari, and Shivamogga. Karnataka's airport infrastructure is rapidly expanding to meet the growing demands of its economic and tourism sectors. The state is served by Kempegowda International Airport in Bengaluru, which is one of India's busiest airports, offering both domestic and international flights.

Additionally, airports like Mangaluru International Airport and Hubli Airport facilitate significant passenger and cargo traffic, enhancing regional connectivity. Karnataka also has smaller airports such as Mysuru and Belagavi airports that cater to domestic travelers and support local economic development.

Recent developments include the commissioning of a new airport in Shivamogga, while the ongoing construction of airports in Vijayapura and Hassan, underlining the state's initiative to improve its aviation infrastructure further. These developments are expected to bolster Karnataka's links with other global and national destinations, making it a pivotal aviation hub in South India. Bengaluru airport has expanded with new Terminal 2 which has further bolstered the cargo handling capacity of the Bengaluru Airport.

Karnataka's seaport infrastructure plays a vital role in its economic landscape, particularly through its major port, New Mangalore Port, located at Panambur near Mangaluru on the west coast of India. This port is crucial for the export of major commodities like iron ore, coffee, and cashew nuts, and it provides facilities for handling a variety of cargo, including crude oil, LPG, and other bulk and container cargo.

Apart from the New Mangalore Port, Karnataka also has several minor ports including Karwar, which is another significant port contributing to the maritime trade in the region. These ports collectively facilitate significant trade both internationally and with other coastal states of India, enhancing Karnataka's profile in the logistics and transport sector. The strategic development of these ports, supported by favorable government policies, is poised to boost Karnataka's industrial growth by improving connectivity and reducing transportation costs for trade.

Karnataka ranks 4th among Indian states in the percentage of Renewable Energy installed capacity. Karnataka has 63% of its installed capacity from Solar, wind, and other renewable sources. The state has further encouraged private investments in Renewable Energy with a progressive Karnataka Renewable Energy Policy 2022-27.

## 3.2. ACHIEVEMENTS IN 2020-25 INDUSTRIAL POLICY

Investments worth ~INR 5,00,360 crore over 2200 units were approved on a target of INR 5,00,000 crore despite the challenging times in Covid. The employment generation in these approvals was around 7,63,428 in the period between 2020-2024. Karnataka in doing so became the largest exporting State (Merchandise + Services) in India for 2023-24. Also, 3,95,603 manufacturing MSME enterprises are registered in Government of India's Udyam portal from Aug 2020 to Sep 2024.

The contribution of industry and manufacturing sector to Gross State Domestic Product (GSDP) stood at 26.60% during 2022-23. The State recorded 1,66,544 Million USD worth of exports in 2023-24, constituting 21.39% of the country's exports and becoming the largest exporting state in India. The largest contributing sectors were software exports followed by engineering products, petroleum products, readymade, basic chemicals and pharmaceuticals.

Further, 40 new Industrial Areas were developed by KIADB from FY 2020 to FY 2024 with a total extent of 24,000 acres of industrial land. Dharawad Industrial Node across ~3000 acres, Haraluru Muddenahalli (Hitech Defence and Aerospace Park Phase – II) across ~1200 acres, Devanahalli General Industrial Area (ITIR) across 1,000 acres, Dobaspet 5th Phase across 800 acres and Metikurke Industrial Area in Chitradurga district across ~1150 acres are some of the big Industrial Parks developed or under development in last 5 years.

## 3.3. SECTOR COVERAGE FOR VARIOUS POLICIES OF KARNATAKA

Any state needs to understand the strengths and identify focus sectors to set the priority for driving investor outreach and industrial development. The following sectors have been identified under 3 key themes for Karnataka:

### ① GDP Accelerators:

The sectors that have high-value addition in the net output while also becoming the key cogs of the supply chain;

### ② Employment Generators:

Sectors with high dependence on human capital;

### ③ Innovation Drivers:

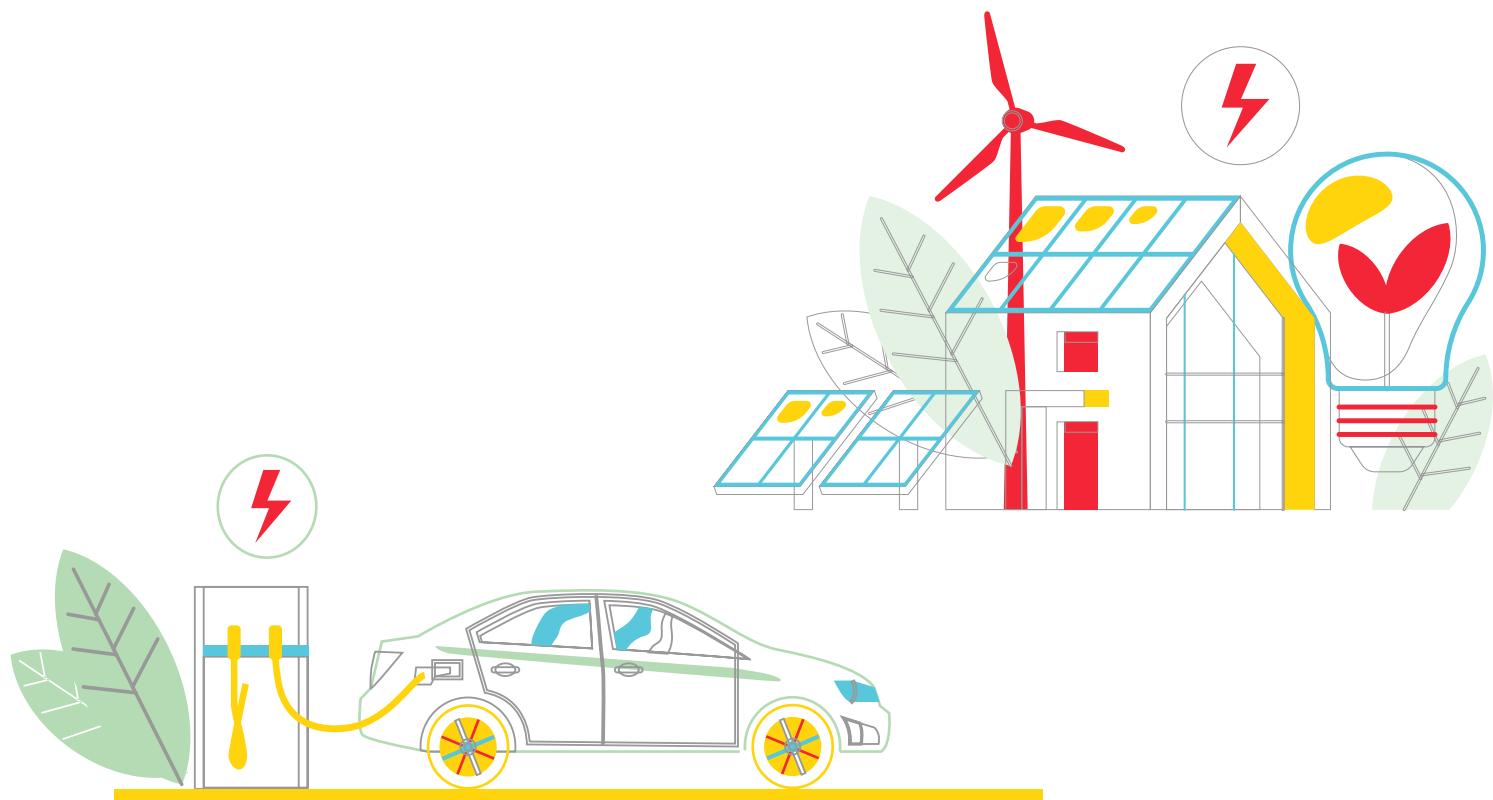
New and sunrise sectors heavily dependent on R&D and Technology to obtain a cutting-edge lead.

Karnataka state has multiple policies for various focus sectors and the companies can refer to the following table for respective policies:

Table 4- Karnataka's policies across various sectors

<b>Category</b>	<b>Sectors</b>	<b>Current Policy</b>
GDP Accelerator	Aerospace and Defence	Aerospace & Defence Policy 2022-27
	Electronic Components	Special Incentives Scheme for ESDM Sector 2020-25
	Core Manufacturing (Steel, Cement, Metals)	Industrial Policy 2025-30
	Warehousing and Logistics	Industrial Policy 2025-30
Employment Generators	Textiles	Textile and Garment Policy 2019-24
	Electronic Manufacturing Services	Special Incentives Scheme for ESDM Sector 2020-25
	Manufacturing Support Services	Industrial Policy 2025-30
	Tourism	Karnataka Tourism Policy 2024-29
Innovation Drivers	Future Mobility - Battery/EV/ Fuel Cell	Electric Vehicle and Energy Storage Policy 2017
	Green Hydrogen	Renewable Energy Policy 2022-27
	Industrial Robots	Special Incentives Scheme for ESDM Sector 2020-25
	Drones	A&D Policy 2022-27
	Semi-Conductor Manufacturing	Special Incentives Scheme for ESDM Sector 2020-25
	AR/VR/Smart Devices	AGVC-XR Policy 2023
	Med Tech	Special Incentives Scheme for ESDM Sector 2020-25
	Space Tech	A&D Policy 2022-27
	Biotechnology	Biotechnology Policy 2024-29

Category	Sectors	Current Policy
Other Sectors	Renewable Energy	Renewable Energy Policy 2022-27
	Software and IT Services	IT Policy 2020-25
	Pharmaceuticals	Industrial Policy 2025-30
	Machine Tools	Industrial Policy 2025-30
	Capital Goods	Industrial Policy 2025-30
	Toys	Industrial Policy 2025-30
	Automobile	Industrial Policy 2025-30
	FMCG (Food/Consumer Goods manufacturing	Industrial Policy 2025-30



Based on competitive strengths and growth potential, the policy has identified key focus sectors to drive economic development and job creation across the state. Karnataka's existing ecosystem in some of the key sectors have been highlighted below.

## 1. AEROSPACE AND DEFENCE

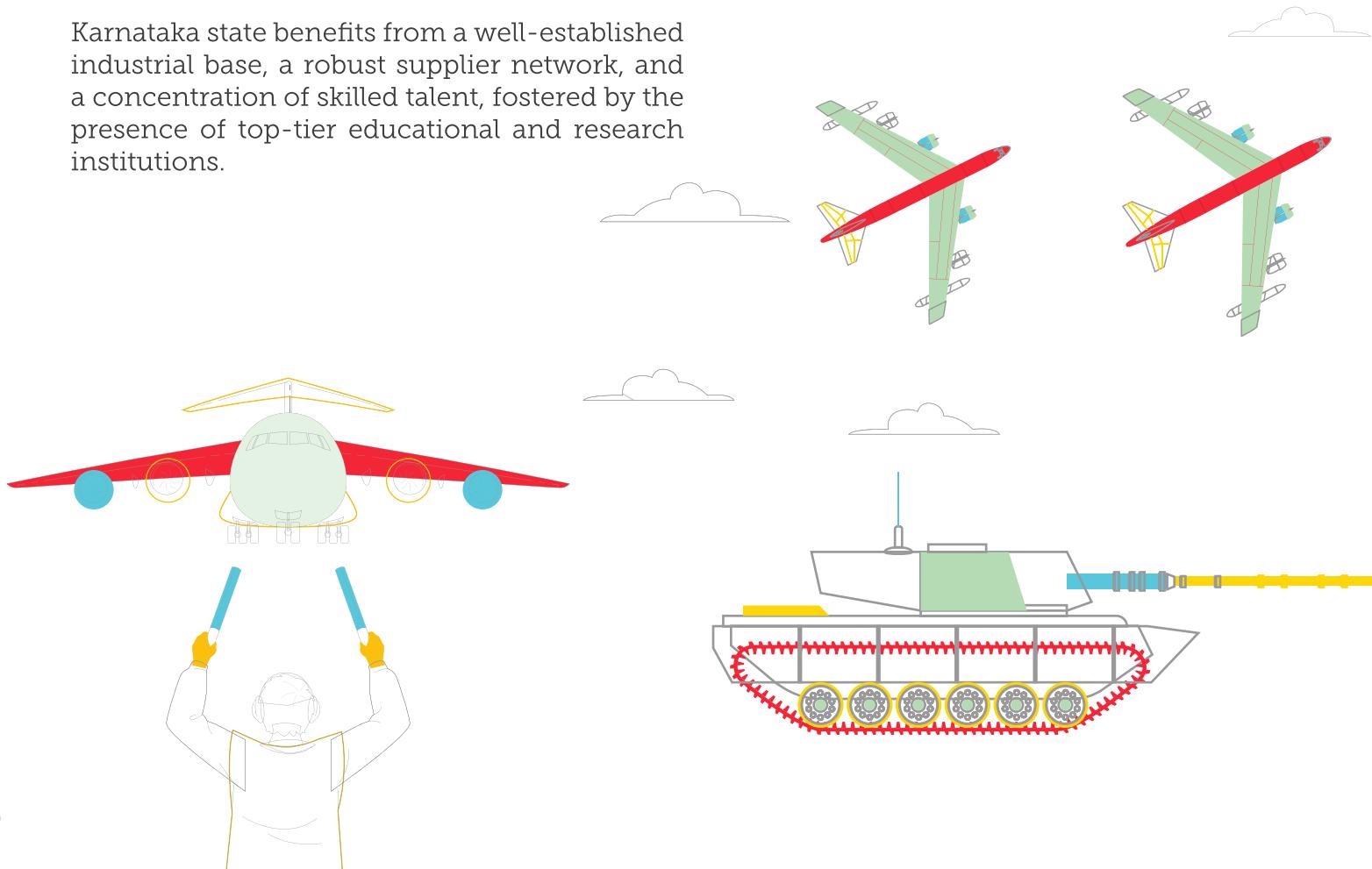
Karnataka is a recognized hub for aerospace and defense equipment design and manufacturing in India. The state accounts for 67 percent of all aircraft and helicopter manufacturing for Defence services and 25% of India's aircraft and spacecraft industry. Karnataka boasts 70% of the supplier base with 2000+ SMEs with the capability to carry out niche sub-contracting work.

Bengaluru, the state's capital, is India's largest aerospace cluster, housing major companies like HAL, ISRO, and NAL and creating an extensive ecosystem of parts, components, and systems suppliers. The presence of numerous Defense Services laboratories further cements Bengaluru-Karnataka's status as the Aerospace & Defense Capital of India. Major global aerospace players such as Airbus, Boeing, Honeywell, UTC (Collins), GE, and Rolls Royce have established engineering and R&D centers in Bengaluru, enhancing the state's prominence in this sector.

Karnataka state benefits from a well-established industrial base, a robust supplier network, and a concentration of skilled talent, fostered by the presence of top-tier educational and research institutions.

The government's proactive initiatives underscore Karnataka's commitment to high-end training, skill development, and creating industry-ready manpower. Karnataka's strategic focus not only attracts significant investment but also ensures a continuous pipeline of innovation and technological advancements, maintaining the state's leadership in the aerospace and defense industries. Karnataka has a dedicated sectoral park in Bengaluru Rural District - Aerospace and Defence Park Phase 1, Aerospace SEZ and Hi-Tech Aerospace and Defence Park Phase 2. Further, there is a dedicated industrial area Aequus SEZ in Belagavito highlight Karnataka's focus on the development of Aerospace and Defence industries.

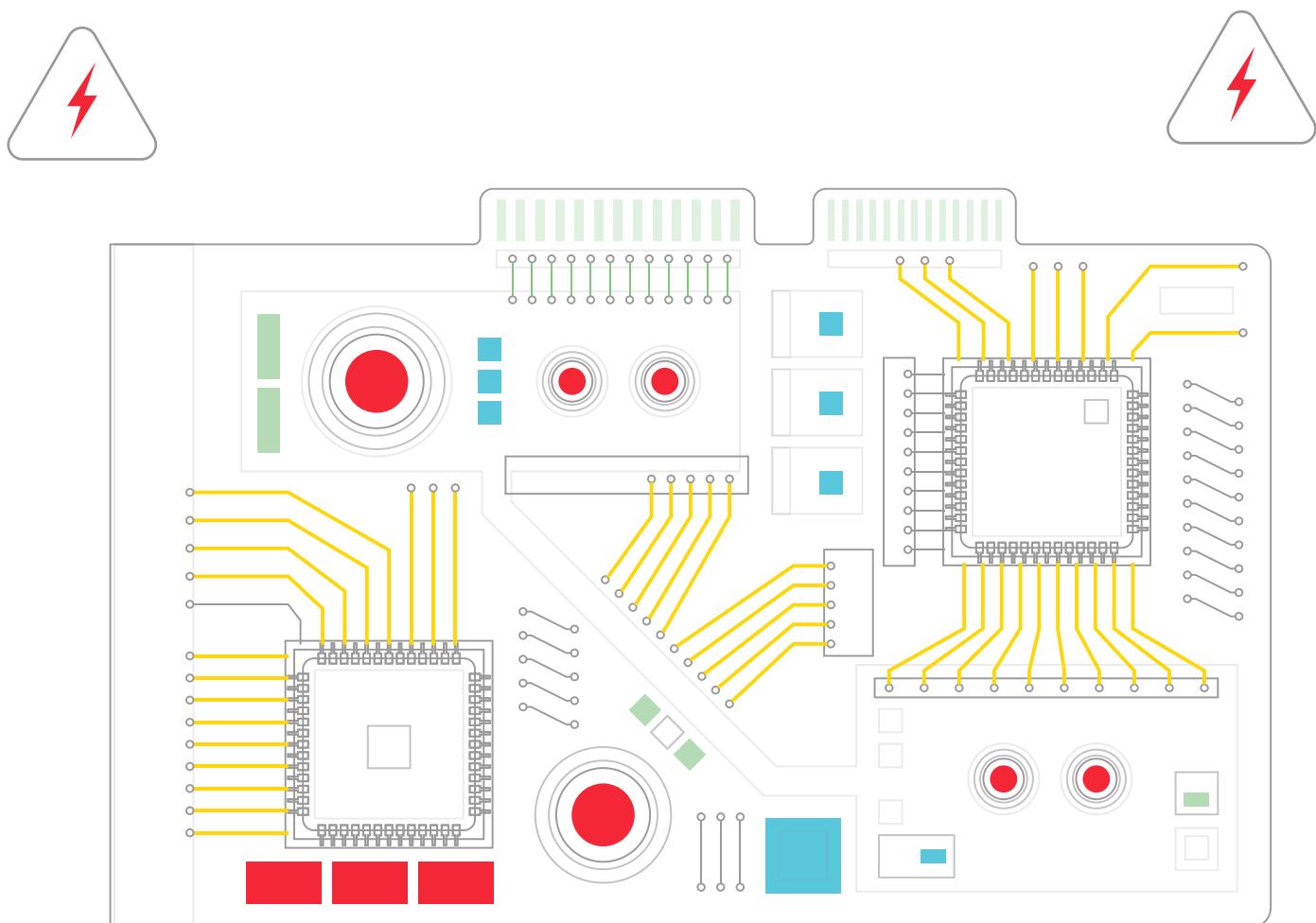
The applicable incentives and concessions for the promotion of industries in the Aerospace and Defence sector will be as per Karnataka Aerospace and Defence Policy 2022-27.



## 2. ELECTRONIC COMPONENTS

Karnataka has established itself as a premier hub for the Electronics System Design and Manufacturing (ESDM) sector in India. The state is home to global giants like Foxconn, Schneider Electric, General Electric, Cisco, Qualcomm, and Texas Instruments, which have significantly contributed to its robust ESDM ecosystem. Bengaluru, with its world-class infrastructure, skilled manpower, and proximity to an international airport, serves as the focal point for these activities. The state has successfully attracted substantial investments across the ESDM value chain, encompassing manufacturing, design, and research and development. Moreover, Karnataka has over 2,000 electronics start-ups, further showcasing its commitment to innovation and technological advancement in the sector.

Karnataka's strengths in the ESDM sector are bolstered by several strategic initiatives and policies. The Karnataka Special Incentives Scheme for ESDM Sector (2020-2025) offers various fiscal incentives such as capital investment subsidies, reimbursement of stamp duty and registration charges, and power tariff reimbursements. Karnataka is focused on developing a dedicated Electronics Manufacturing Cluster in collaboration with the Government of India in 3 locations – Kochanahalli – Mysuru, Kotur-Belur – Dharawad and Adinarayana hosahalli – Bengaluru Rural. This will help fostering collaboration between industry and academia ensuring a continuous supply of skilled professionals and cutting-edge research. These efforts position Karnataka as a competitive and attractive destination for ESDM investments, driving sustained growth and innovation in the sector.



### 3. CORE MANUFACTURING (STEEL, CEMENT, METALS)

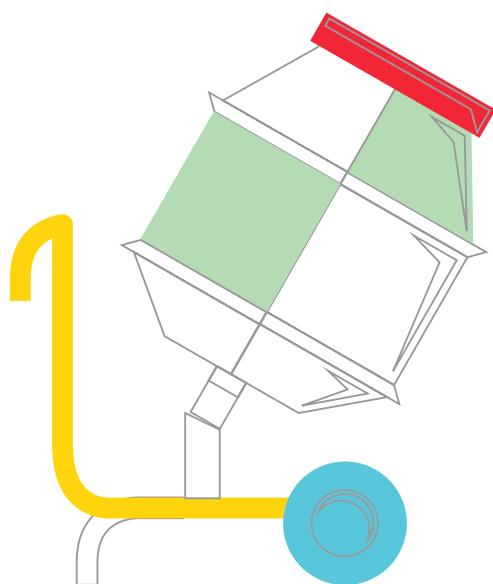
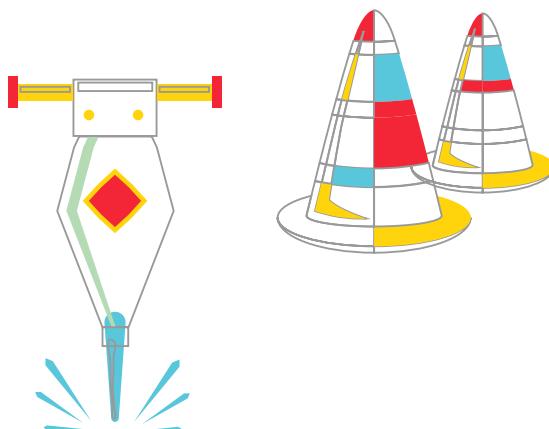
#### Cement

Karnataka is a prominent cement-producing state, ranking seventh in India. The state boasts around 17,253 million tons of limestone deposits, an essential raw material for cement production. Annually, Karnataka produces more than 11 million tons of cement, contributing 6.5% to the national output. The state hosts 22 cement units with a combined production capacity of around 16 MMTPA. Kalaburagi is one of India's key cement clusters, further solidifying Karnataka's position in the cement industry.



#### Steel

Karnataka is a major player in India's steel industry, with significant iron ore resources primarily located in Bellary, Chitradurga, Koppal, and Tumakuru districts. The state has an estimated 2 billion metric tonnes of iron ore and abundant reserves of other essential minerals. Karnataka contributes approximately 13.7% to the nation's steel production, with 18 steel production units having a combined capacity of around 22 MMTPA. Major steel plants like JSW Steel, Kalyani Steels, and Mukund Steels are based in the state, with JSW Steel's Vijayanagar plant being the largest single-location steel facility in the country.



#### Metals

Karnataka's rich mineral resources extend beyond iron ore, including significant deposits of manganese, silica, and limestone, which are crucial for various metal industries. The state's comprehensive mineral policy supports the sustainable development of its metal sector. With initiatives to attract investment and foster innovation, Karnataka is home to leading metal manufacturing and processing companies. The state's strategic location, skilled workforce, and robust infrastructure make it a preferred destination for metal industry investments.

The applicable incentives and concessions for the promotion of industries in Core Manufacturing sectors will be as per the Industrial Policy 2025-30.

## 4. WAREHOUSING AND LOGISTICS

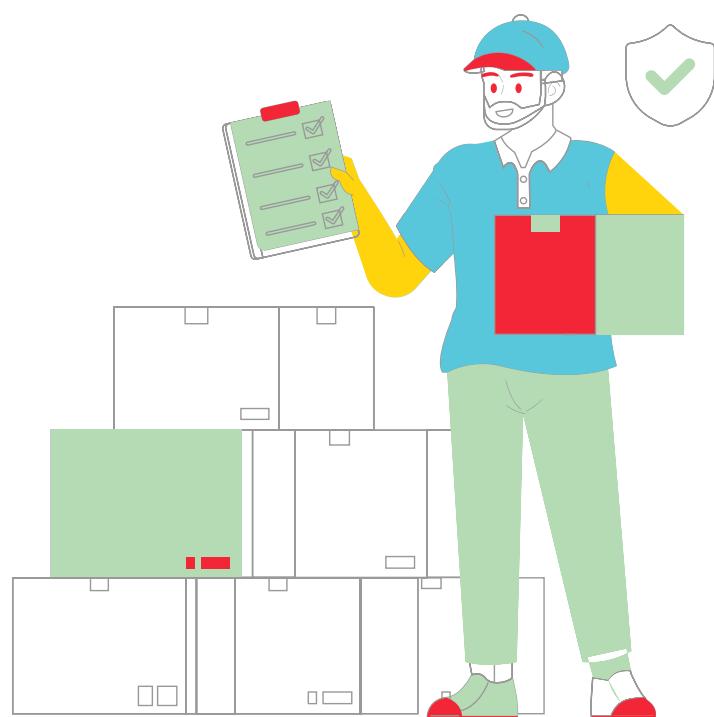
Karnataka's logistics and warehousing sector has been a vital contributor to the state's economic growth. The state boasts over 1,622 warehousing facilities with a combined capacity of approximately 42.48 lakh metric tons and 233 cold storage facilities with a capacity of 6,76,832 metric tons. Major logistics parks and Inland Container Depots (ICDs) further support the robust logistics infrastructure.

Karnataka's strategic geographical location and extensive infrastructure are key strengths in its warehousing and logistics sector. Karnataka's commitment to technological advancements and sustainability is evident in initiatives like promoting electric vehicles for internal transportation and encouraging green certifications.



The state also emphasizes digital integration with systems like the Unified Logistics Interface Platform (ULIP) and smart enforcement technologies. These factors position Karnataka as a competitive and attractive destination for logistics and warehousing investments, driving sustained growth and innovation in the sector.

The state's favorable policies, such as the Industrial Policy 2025-30 offer various fiscal incentives, ease of doing business, and initiatives to upskill the workforce.



## 5. TEXTILES

Karnataka is a leading hub for the textiles and apparel industry in India, known as the Garment Capital of India. The state is a major producer of raw materials such as silk, wool, and cotton, contributing significantly to the nation's textile output. Bengaluru alone houses over 2,000 garment units, contributing to 20% of India's garment production and 20% of the nation's apparel exports. Major companies like Gokaldas Exports, Shahi Exports, and Himatsingka Seide have established a strong presence in the state, driving innovation and excellence in textile manufacturing and export.

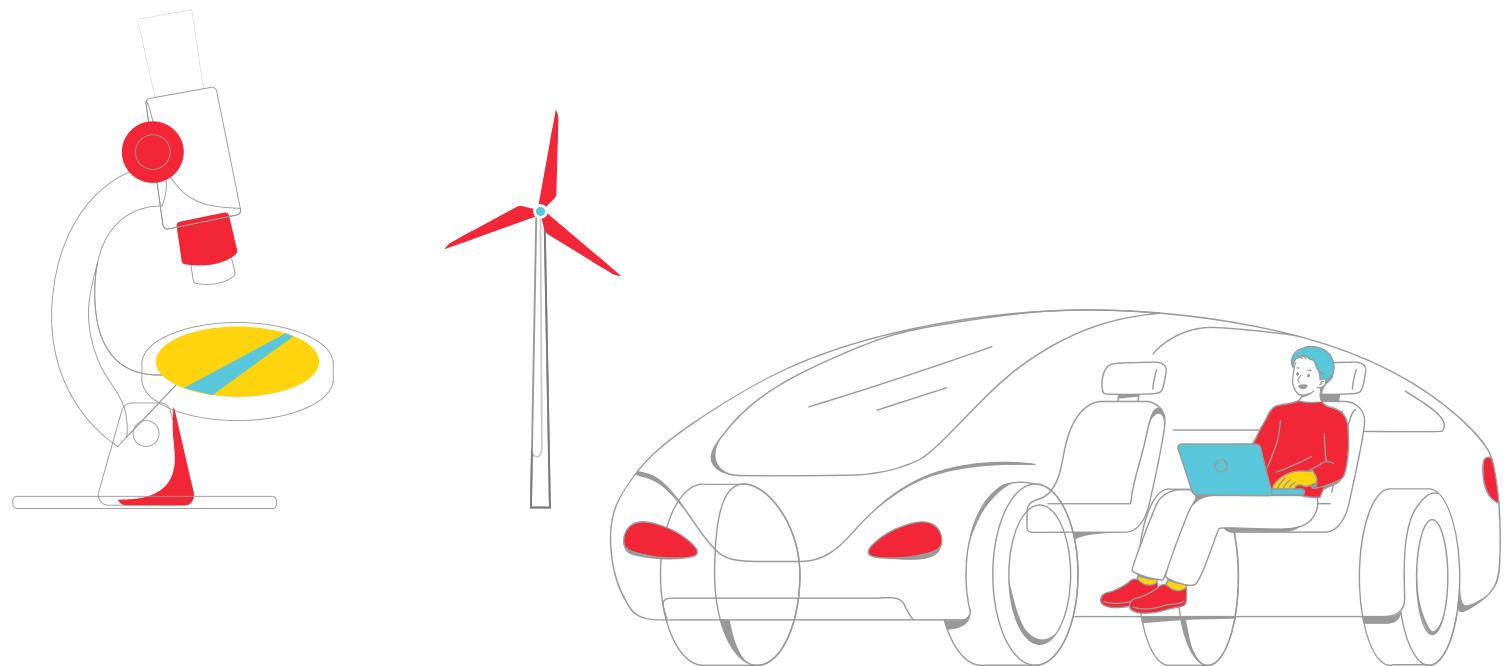
The state has established numerous textile parks, such as the integrated textile park in Doddaballapura, SEZ in Hassan, Shiggaon Textile Park and facilities in Chamarajanagar Industrial Area. The presence of leading fashion technology institutes like NIFT and multiple garment training centers ensures a continuous supply of skilled labor, making Karnataka a preferred destination for textile investments.

The Karnataka Textile and Garment Policy 2019-24 offers various incentives, including capital subsidies, power subsidies, and wage subsidies, to encourage investment.

## 6. GLOBAL CAPABILITY CENTERS/RESEARCH & DEVELOPMENT CENTERS

Karnataka is a leader in the establishment of knowledge-based industries such as information technology, biotechnology, and engineering. The state is home to over 400 multinational companies with global R&D centers in Bengaluru, including prominent names like GE, GM, Intel, Texas Instruments, and IBM. This concentration of Global Capability Centers (GCCs) is among the largest in the world. Bengaluru, recognized as the fourth largest technology cluster globally by the United Nations, contributes significantly to the state's reputation as a hub for innovation and research.

Karnataka's R&D sector has flourished due to its robust infrastructure, skilled workforce, and supportive policies. The state contributes approximately 40% to India's ER&D revenues and houses 50% of the country's R&D talent. With premier institutions like IISc, IIT Dharwad, and numerous innovation hubs, Karnataka fosters a rich academic ecosystem. The state's proactive initiatives, strategic collaborations, and comprehensive support systems make Karnataka a preferred destination for R&D investments and activities.



## 7. FUTURE MOBILITY

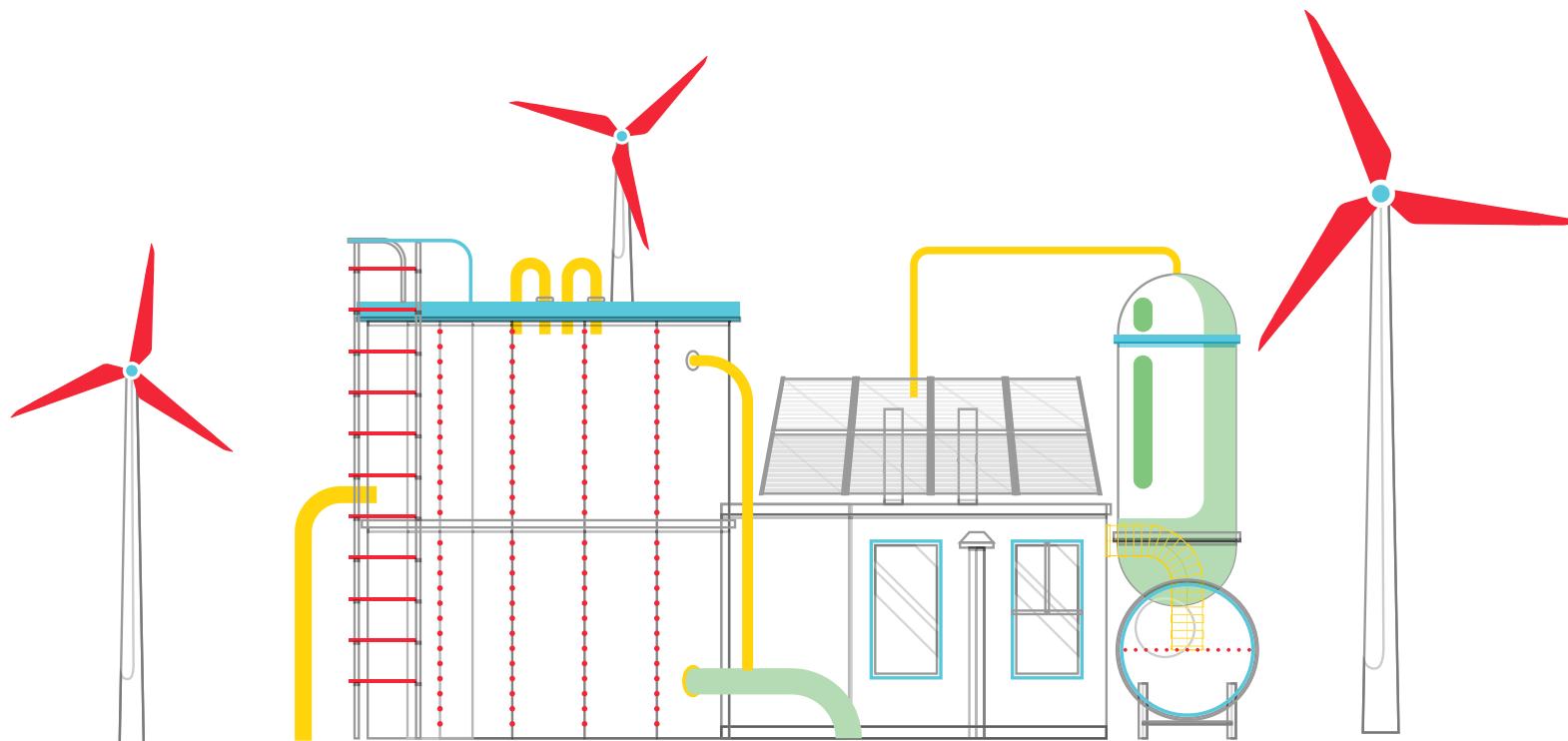
Karnataka is at the forefront of the clean mobility sector in India, which includes electric vehicles (EVs), battery technology, and fuel cell technology, among others. As the first state to introduce a dedicated Electric Vehicle and Energy Storage Policy in 2017, Karnataka has successfully attracted investments across the entire value chain including in battery pack and cell manufacturing, component production, OEMs, charging and testing infrastructure, and research and development.

Bengaluru is home to major players like Mahindra Electric (Reva) and Ather Energy, as well as India's first Public Electric Vehicle Charging Station by BESCOM. With around 200,000 EVs registered, Karnataka ranks third in the nation, showcasing its commitment to transforming the mobility landscape. As per Bureau of Energy Efficiency, Karnataka has the highest number of public EV charging stations (5,765) of which 4,462 are in Bengaluru Urban District alone.

Karnataka's focus on modernization and new-age technologies, such as additive manufacturing and advanced battery cell manufacturing, positions it at the forefront of the automobile and electric vehicle industries. The state also promotes partnerships with educational institutions, such as the collaboration with Tata Technologies Ltd to transform 150 ITIs into technology hubs, training thousands annually in various aspects of EV technology. Karnataka's upcoming Clean Mobility Policy will emphasize developing clean mobility clusters, enhancing charging infrastructure, and supporting research and skill development.

These initiatives, combined with Karnataka's substantial pool of skilled professionals and strong R&D capabilities, position the state as a leader in sustainable transportation technologies.

The applicable incentives and concessions for the promotion of industries in the Clean Mobility sector will be as per the Electric Vehicle and Energy Storage Policy 2017.



## 8. GREEN HYDROGEN

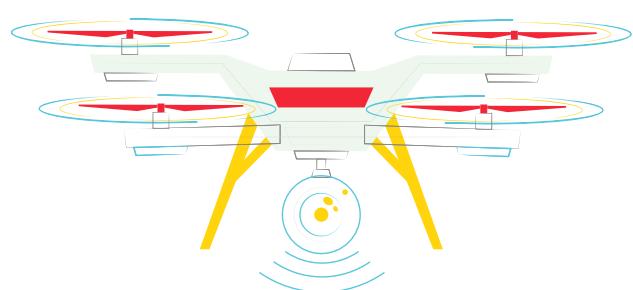
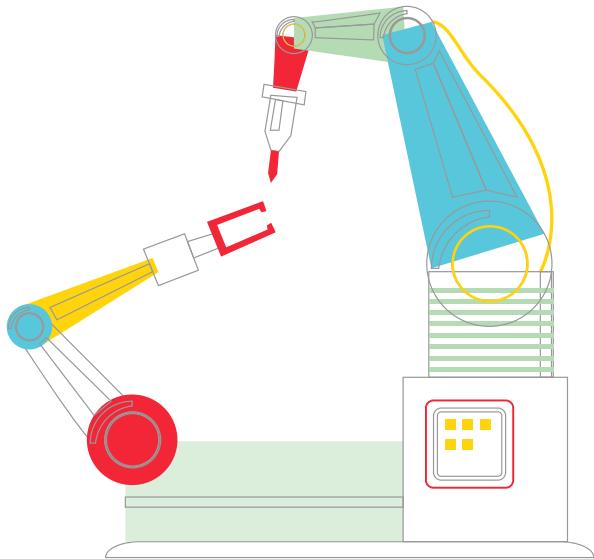
Karnataka is emerging as a key market in the green hydrogen sector, driven by its robust renewable energy eco-system and supporting infrastructure. The State will shortly notify its green hydrogen policy, which includes concessional inter-state transmission charges and priority access to renewable energy. Major companies are increasingly investing in this emerging sector, leveraging Karnataka's infrastructure and government incentives.

With significant investments in solar, wind, and hybrid renewable energy, energy storage and hydropower, the state is well-positioned for green hydrogen innovation across its value chain. The State's proactive measures in manufacturing such as dedicated manufacturing zones and infrastructure ensure promising growth opportunities to attract significant investments.

## 9. INDUSTRIAL ROBOTS

Karnataka is a burgeoning hub for industrial robots, driven by a strong industrial base and leading technology companies like ABB and Fanuc India. The state, particularly Bengaluru, hosts numerous automation firms and contributes significantly to India's automation sector.

With robust infrastructure, a skilled workforce, and supportive policies, Karnataka is well-positioned for growth in the industrial robotics market with its focus on Industry 4.0, enhancing productivity and technological advancement.



## 10. DRONES

Karnataka is rapidly emerging as a key player in the drone industry, supported by a thriving ecosystem of tech companies and start-ups such as Skylark Drones, NewSpace, and Throttle Aerospace Systems.

The state's favorable regulatory environment and robust R&D ecosystem promote drone usage across agriculture, surveillance, and logistics. With increasing applications, Karnataka's drone industry has immense growth potential.

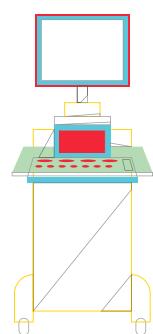
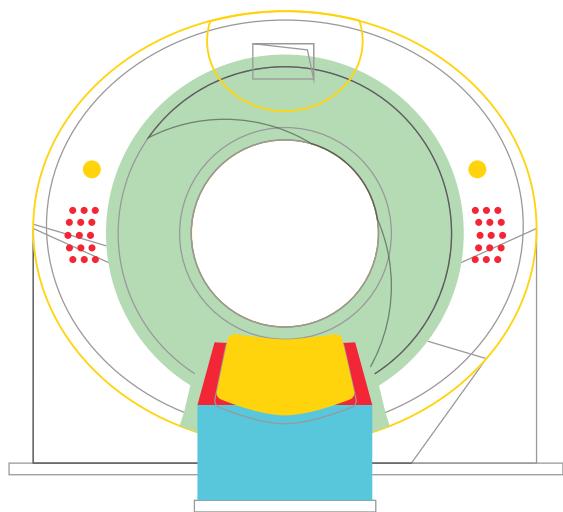
## 11. AUGMENTED REALITY/ VIRTUAL REALITY/SMART DEVICES

Karnataka, particularly Bengaluru, is a leading hub for AR/VR and smart devices, hosting tech giants like Infosys and Wipro, along with start-ups like Tesseract. The state contributes significantly to India's AR/VR market with its advanced IT infrastructure and innovation centers. Karnataka's strengths include a skilled talent pool and supportive policies, positioning it as a leader in digital innovation and immersive technologies.



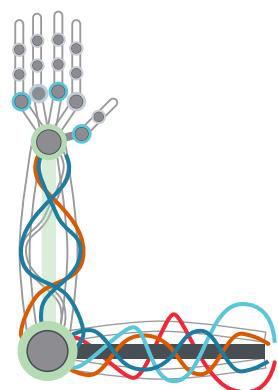
## 12. MED TECH

Karnataka's medical devices and equipment industry is steadily growing, focusing on the less technology-intensive segments and disposable supplies. The state is working towards indigenous manufacturing of diagnostic equipment like MRI, ultrasound machines, and X-ray machines. Plans include establishing a med-tech zone near Bengaluru, equipped with comprehensive infrastructure facilities for manufacturing and innovation, including calibration, testing, quality control, and waste management.



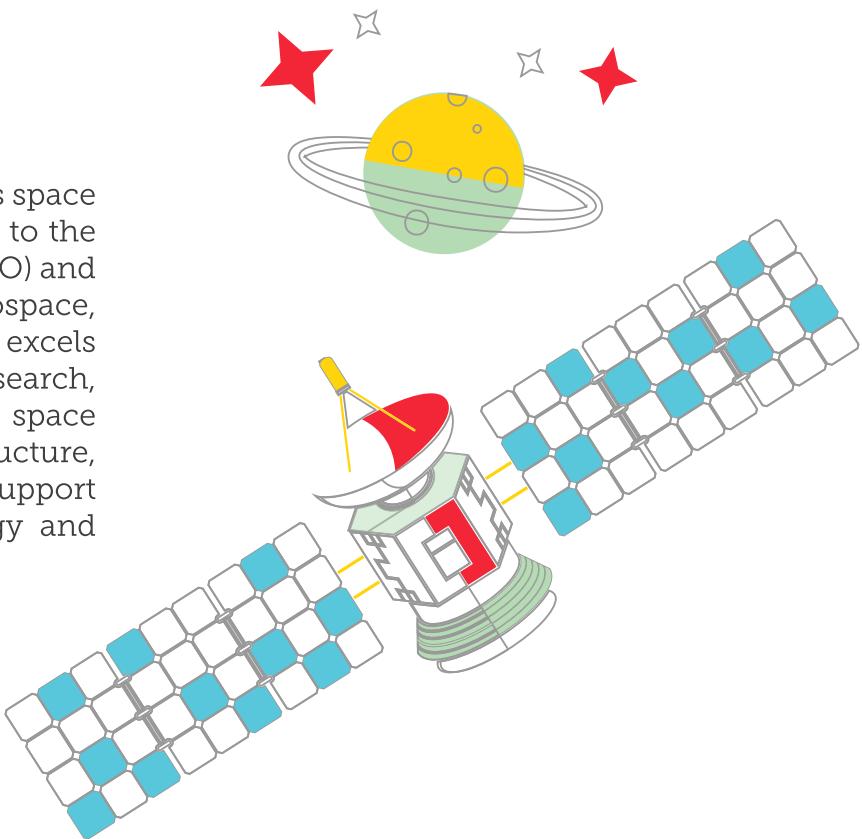
Karnataka's strengths in the med-tech sector are driven by its robust infrastructure, strategic initiatives, and skilled workforce. The state's policies support the development of medical devices and equipment, promoting local manufacturing to reduce dependence on imports. Karnataka's strategic location, coupled with its supportive regulatory environment, positions it as a hub for medical technology innovation and manufacturing, attracting significant investments in this sector.

The applicable incentives and concessions for the promotion of the Med Tech sector will be as per the Special Incentives Scheme for ESDM Sector 2020-25.



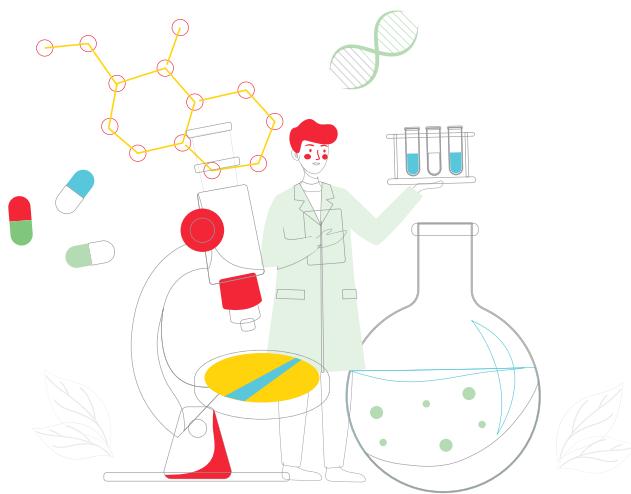
## 13. SPACE TECH

Karnataka is a significant player in India's space tech sector, with Bengaluru being home to the Indian Space Research Organisation (ISRO) and space tech startups such as Bellatrix Aerospace, NoPo, Nanotech, and Pixxel. The state excels in satellite technology and space research, contributing to national and global space missions. Karnataka's advanced infrastructure, skilled workforce, and government support drive its leadership in space technology and innovation.



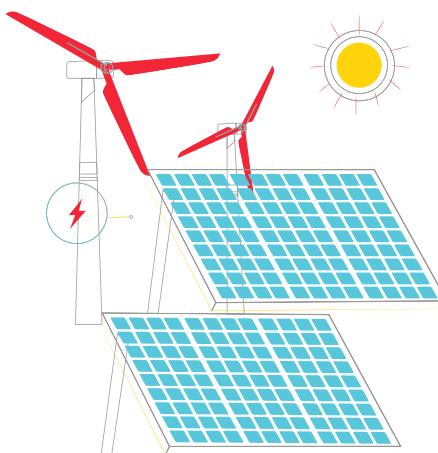
## 14. BIOTECHNOLOGY

Karnataka is recognized as the biotech capital of India, contributing 35% of the country's biotech revenue. The state houses 380 biotech companies and 194 start-ups, forming 60% of India's biotech enterprises. With renowned institutions like IISc, NCBS, and JNCASR, Karnataka boasts a strong research base. Initiatives such as Bangalore Bio innovation Centre and Biotechnology Skill Enhancement Programme (BiSEP) further bolster the sector's growth, positioning Karnataka as a global biotech hub.



Karnataka's biotechnology sector excels due to its well-established ecosystem, extensive research infrastructure, and skilled talent pool. The state's policies provide comprehensive support, including fiscal incentives, incubation facilities, and funding for biotech start-ups. Karnataka's focus on multidisciplinary collaborations and leveraging IT capabilities enhances its competitiveness, making it a preferred destination for biotech investments and innovation.

The applicable incentives and concessions for the promotion of the Biotechnology sector are as per Karnataka's Biotechnology Policy 2024-29



## 15. RENEWABLE ENERGY

Karnataka is a leading state in India for renewable energy, with an installed capacity of 18,444 MW as of November 2024. The state excels in various renewable sources, including solar, wind, hydro, and biomass. Karnataka's solar energy capacity is particularly notable, featuring one of the world's largest solar parks Pavagada, with a capacity of 2050 MW. Efforts are underway to enhance the Park's capacity to 2352 MW. Over 400 companies operate within Karnataka's renewable energy ecosystem, contributing significantly to the state's energy mix and green growth, making it the top producer of solar energy in India.

Karnataka's strengths in renewable energy are driven by robust policies and strategic initiatives.

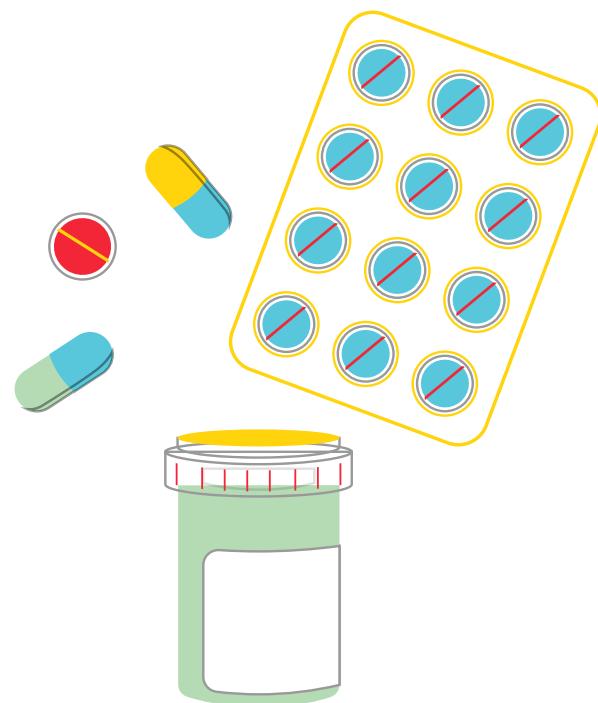
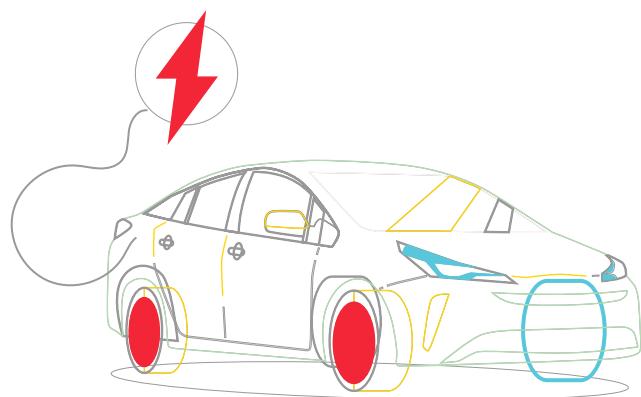
The state was the first in southern India to implement a solar policy that promoted diverse renewable energy projects. Karnataka has a solar PV potential of about 721 GW, a wind energy potential of 124 GW, and 8 GW of pumped storage hydropower. The state's proactive approach, supported by incentives and infrastructural advancements, positions Karnataka as a prime destination for renewable energy investments, fostering a sustainable and resilient energy future.

The applicable incentives and concessions for the promotion of industries in the Renewable Energy sector are as per the Renewable Energy Policy 2022-27 and as per the ESDM Policy for Solar Cells and Photovoltaic Module Manufacturing. Additionally, solar cell and Photovoltaic module manufacturers are also eligible for incentives as per the Karnataka Industrial Policy 2025 – 2030.

## 16. PHARMACEUTICALS

Karnataka is a significant player in India's pharmaceutical industry, ranking 5th in pharma exports and contributing 10% to the national pharma revenue. The state exports 40% of its pharmaceutical production. Karnataka is home to 221 formulation units and 74 bulk drug units, supported by Pharma Special Economic Zones in Hassan and several Pharma Industrial Areas. The state also boasts 35 Clinical Research Organizations (CROs) and 12 Adverse Drug Reaction (ADR) Reporting Centers. Planned developments include Pharma Parks in Mangaluru, Yadgiri, Nagamangala, and Shivamogga, aiming to further boost the sector.

The state government offers various incentives, including financial grants for R&D and setting up finishing schools to enhance skilled manpower. The presence of a strong research base and favorable business environment makes Karnataka a preferred destination for pharmaceutical investments, fostering growth and innovation in the industry.



## 17. AUTOMOBILE

Karnataka stands as the fourth largest automobile producer in India, contributing 8.5% to the national output. It hosts leading global companies such as Mercedes (Daimler), Bosch, Toyota, Volvo, Tata Motors, Scania, etc. With seven major OEMs and more than 50 auto component manufacturers, Karnataka boasts five auto-specific clusters, establishing itself as a central hub for the automobile and electric vehicle industry in India.

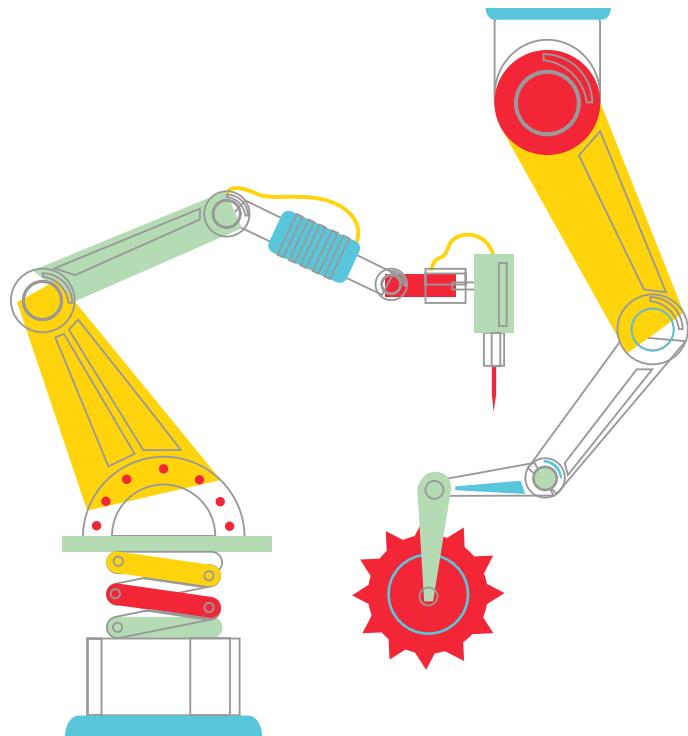
Karnataka's auto sector thrives on its robust industrial base, extensive supplier network, and strategic location. Bengaluru, the state capital, ranks second after Delhi in the number of vehicles on its roads, underscoring the strong local demand.

As India focuses on gradually phasing out internal combustion engines, particularly in the two-wheeler and three-wheeler sectors, Karnataka is poised to adapt and innovate. The government has also formed a vision group comprising industry leaders and experts to assess the needs of the sector, recommend corrective measures, and ensure sustained growth, further enhancing the state's leadership in the automobile industry.

The applicable incentives and concessions for the promotion of industries in the Automobile sector will be as per the Industrial Policy 2025-30.

## 18. CAPITAL GOODS

Karnataka boasts a robust ecosystem for capital goods, driven by a strong industrial base, skilled workforce, and advanced infrastructure. The state is home to numerous manufacturing units, R&D centers, and a thriving SME sector that supports the production of high-quality capital goods like BEML, Volvo Construction Equipment, L&T Construction & Mining Machinery, Tata Hitachi, etc. Businesses in this sector can benefit from Industrial Policy 2025-30 and schemes promoting ease of doing business. Additionally, initiatives focusing on infrastructure development and skill enhancement further bolster the growth and competitiveness of the capital goods ecosystem in Karnataka.



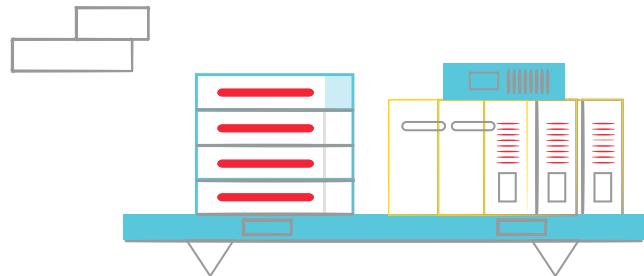
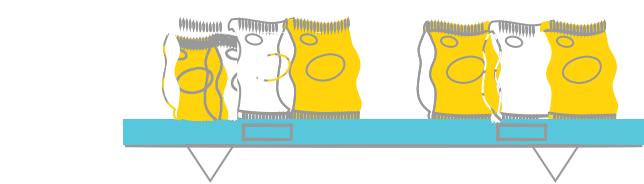
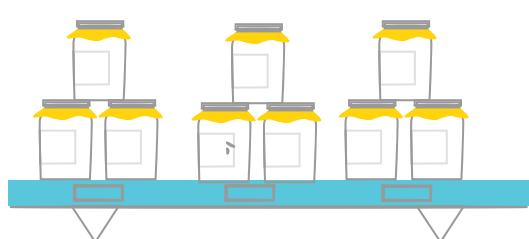
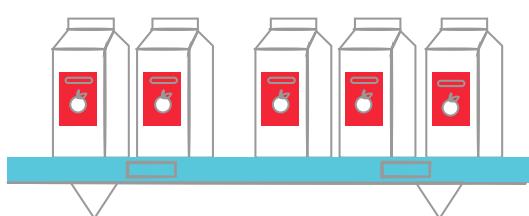
## 19. FMCG (FOOD AND CONSUMER GOODS MANUFACTURING)

Karnataka boasts a robust ecosystem in food processing and consumer goods manufacturing. The state is a leading producer of key agricultural products like coffee, ragi, sunflower, and tomatoes, contributing significantly to India's food supply. Karnataka has established over 150 operational cold storage units with a capacity exceeding 300,000 metric tons. Major companies such as ITC, MTR Foods, Nestle, and Britannia have a strong presence, leveraging the state's infrastructure, including integrated mega food parks and agro-processing clusters.

The state offers extensive incentives, such as Capital/Base subsidies and tax exemptions under Industrial Policy 2025-30 to attract and retain businesses.

With well-developed market linkages, including 285 Farmer Producer Organizations (FPOs) and several public-private partnership projects, Karnataka has significant growth potential. The state's commitment to innovation and sustainable practices, coupled with a skilled workforce, positions it as a leading hub for FMCG and food processing industries.

Regions of North Karnataka have significant potential to be developed as a Food Processing hub in Karnataka. Further, the State Government vide Order No. CI 287 SPI 2020, dated 30.04.2022 had sanctioned the special package of incentives to FMCG cluster in Dharwad District, which is in operation for 5 years.



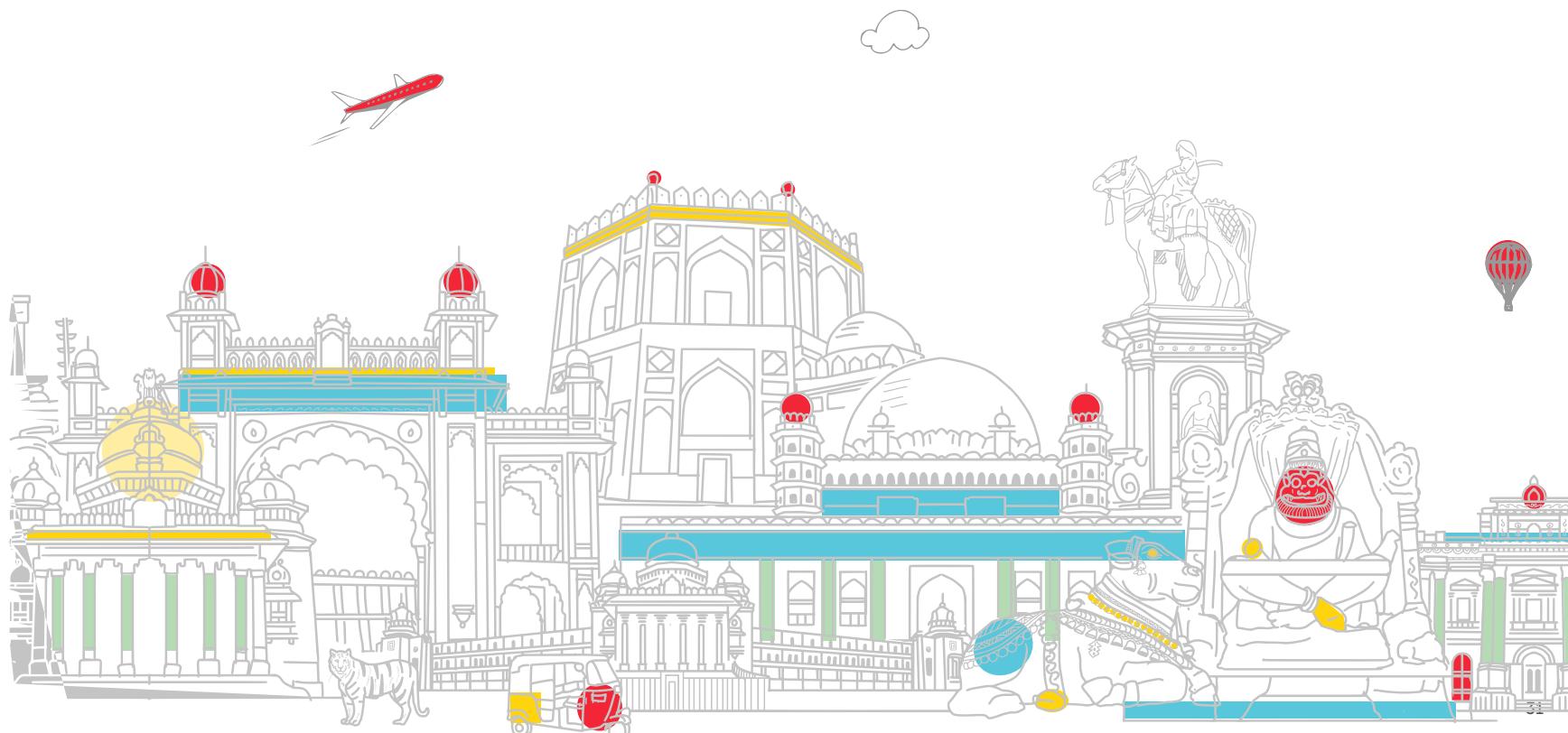
## 20. TOURISM

Karnataka, with its brand promise of "One State, Many Worlds," offers a diverse range of tourism opportunities across a range of themes including heritage, culture, ecotourism, spiritual, adventure, coastal, wellness, rural, and urban tourism. With increased business travel and marquee events, the State's opportunities extend beyond the leisure segment. The state's pleasant climate, robust infrastructure, and responsive governance make it a preferred destination for investors looking to tap into India's growing tourism market.

In 2023, Karnataka recorded over 28 crore domestic tourist visits and 4 lakh foreign tourist visits, solidifying its position as a premier tourism hub. The state aims to rank among the top 3 states for domestic tourist footfalls and the top 5 states for international tourist footfalls by 2029, highlighting its commitment to scaling its tourism ecosystem.

The policy focuses on 25 tourism themes and promotes public-private partnerships to unlock investment potential. The policy offers a range of fiscal and non-fiscal support to investors and entrepreneurs and encourages the convergence of government programs for the sector's overall development. The policy targets the creation of 1.5 lakh jobs during the policy period, fostering skill development and inclusivity while emphasizing sustainability. Investment opportunities span hospitality, adventure tourism, wellness, cruise tourism, meetings and events infrastructure (MICE), digital tourism, rural tourism, and other niche tourism experiences.

Karnataka's progressive policies, thriving tourism ecosystem, and commitment to sustainability position the state as one of India's most promising tourism markets and an ideal destination for long-term, profitable tourism investments.



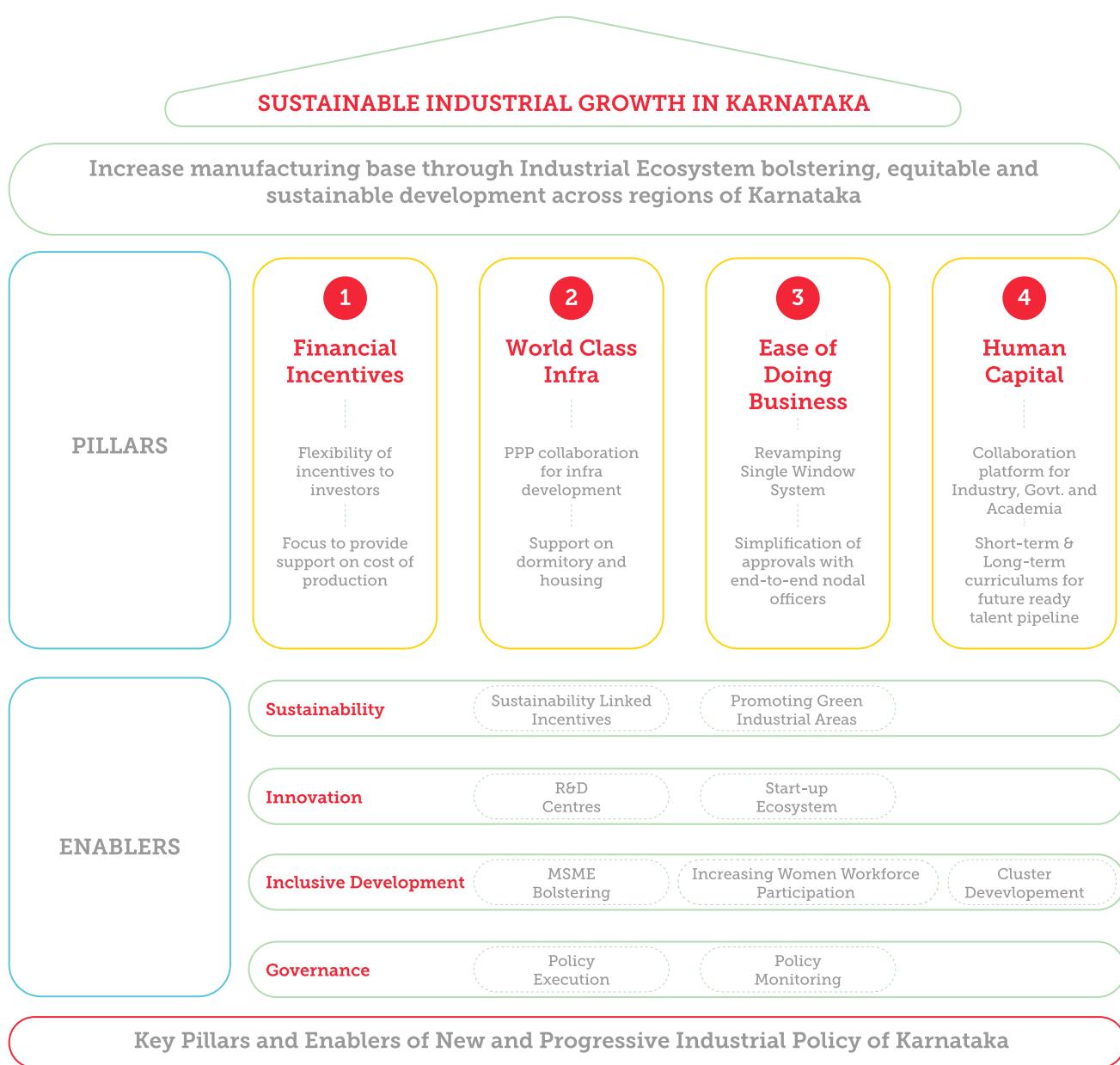
## 04

# POLICY FRAMEWORK

Multiple stakeholder consultations were conducted and suggestions on best practices and feedback on the existing Industrial policy was solicited. The existing policy has benefited a significant number of companies under both MSME as well as Large and beyond categories. Stakeholders from various industries like Steel, Auto, Cement, Textiles, and Pharma have provided inputs for a progressive and competitive Industrial Policy.

Various themes emerged for a progressive policy like confidence-inducing financial incentives, push on world-class infrastructure, digital enablement of processes for improving Ease of Doing business and ensuring a future-ready talent pipeline. Further focusing innovation-driven sustainable, inclusive development through efficient governance of the policy.

The following framework defines the key pillars and enablers of Industrial Policy 2025-30:



## 4.1. DESIGN PRINCIPLES OF INDUSTRIAL POLICY 2025-2030

A clear strategy has been identified with 4 key pillars and 4 enablers to strengthen the manufacturing base of Karnataka and reimagine growth.

### Key Pillars of Industrial Policy 2025-2030

#### ❖ **Financial Incentives:**

Flexibility in incentives for investors between Capital Subsidy and Production Linked Incentives

#### ❖ **World Class Infra:**

Mechanisms for PPP collaboration for infrastructure development as well as government support on dormitories and affordable housing for ultra mega investments

#### ❖ **Ease of Doing Business:**

Revamping the Single Window System with reforms on permits required for setting up of Industries, simplification of the process for approvals

#### ❖ **Human Capital:**

Collaboration platform for Industry, Govt. and Academia while also offering Short-term and long-term curriculums for ITIs and polytechnics to ensure a future-ready talent pipeline

### Four Key Enablers for the Industrial Policy 2025-2030

❖ **Sustainability:** Promotion of Green Industrial areas while also providing incentives for green and sustainable initiatives undertaken by investors

#### ❖ **Innovation:**

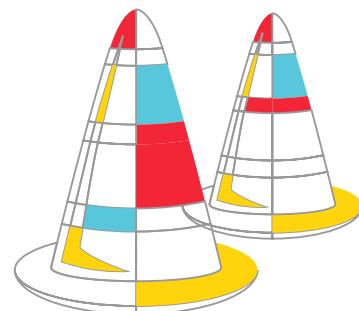
Make Karnataka a knowledge and innovation hub by strengthening the R&D and Startup ecosystem and establishing KWIN (Knowledge, Wellbeing & Innovation) city focused on Knowledge, Healthcare, Innovation and Research.

#### ❖ **Inclusive Development:**

Bolster the MSME ecosystem in the supply chain through infrastructure provision, incentivizing women's participation in the workforce and cluster development in industrially backward regions

#### ❖ **Governance:**

Seamless execution of the policy and monitoring at regular intervals for transparency



# 05

# FLEXIBLE AND COMPETITIVE FINANCIAL INCENTIVES

## 5.1. BASE SUBSIDY FOR LARGE AND ABOVE INVESTMENTS

The fiscal incentives are designed in accordance with the stakeholder discussions to ensure simple yet flexible incentives under the policy. A base subsidy is offered with an option to choose either a capital expenditure subsidy or Production Linked Incentives (PLI).

### 5.1.1. Capital Expenditure Subsidy for Large, Mega & Ultra Mega Enterprises

Capital expenditure subsidy is proposed as one of the options in Base Subsidy. The capital subsidy option can act as a suitable base subsidy for capital-intensive industries. The quantum of incentives is as per Table 5.

**Table 5-** Capital Expenditure Subsidy for Large, Mega and Ultra Mega Enterprises

Zone 1	Zone 2	Zone 3
25% of Total Value of Fixed Assets disbursed in 5 years	20% of Total Value of Fixed Assets disbursed in 5 years	10% of Total Value of Fixed Assets disbursed in 5 years only for Bengaluru Rural

The disbursement of the incentives will commence after the start of commercial production and will be disbursed in 5 equal disbursements (adjusted for the phase of investments). The classification of zones is attached in Annexure 6. Further, Financial Incentives for Zone 3 are only limited to Bengaluru Rural. The definition of Value of Fixed Assets is provided in Annexure-1.

The advantage of the option can be taken by the industries based on their business models where capital-intensive industries can choose capital subsidy, while high revenue-generating sectors can choose PLI. Following are the incentives offered as Base Subsidy:

### 5.1.2. Production-linked incentives for Large, Mega & Ultra Mega Enterprise

Production Linked Incentives (PLI) is proposed as the other option in Base Subsidy. The PLI subsidy option can act as a suitable base subsidy for high revenue-generating industries. The quantum of incentives is as per Table 6.

**Table 6-** PLI Subsidy for Large, Mega and Ultra Mega Enterprises

Zone 1	Zone 2	Zone 3
	2.5% of Net Sales Turnover for 7 years from Commercial Production	1.0% of Net Sales Turnover for 7 years from Commercial Production only for Bengaluru Rural
	Incentives Capped at 60% of VFA	Incentives Capped at 60% of VFA

Enterprises can avail production linked incentive to an extent of percentage of the turnover in each financial year for a maximum period as above from the date of commercial production. Such cumulative production linked incentive availed will be limited to either the period or VFA limits whichever is reached earlier and no carry forward is permitted.

Net sales turnover is defined as the net sales generated from the facility corresponding to the approved new investment (either new investment or expansion in the existing facility) in SLSWCC/SHLCC.

The Net sales turnover will be considered for both domestic sales and exports. Domestic sales would include sales within the geographical territory of Karnataka and the geographical territory of India.

Due to advancements in the Artificial Intelligence as well as industry focus on Automation to increase productivity, the minimum employment thresholds have been rationalized. The following table depicts the rationalized minimum employment threshold to avail the above incentives:

**Table 7- Minimum Employment Threshold for New investments**

<b>Category (INR Cr.)</b>	<b>Minimum Investment (INR Cr.)</b>	<b>Minimum Employment (# of people)</b>
Large (50-300)	50	50% of Actual Investment Amount in INR Crore Minimum Employment: 25 - 500
Mega (300-1000)	300	
Ultra Mega (1000+)	1000	500+ (Additional 6 jobs per 50 Cr)

NOTE: Additional incentives for the Taluks as categorized by Dr. D.M. Nanjundappa Committee Report as below:

1. Capital Expenditure Subsidy – Additional 5% of total value of fixed assets for most backward taluks and additional 3% of total value of fixed assets for more backward taluks.
2. Production linked incentives – Additional 5% of incentives capped for most backward taluks and additional 3% of incentives capped for more backward taluks.

## 5.2. BOOSTER SUBSIDY FOR LARGE AND ABOVE INVESTMENTS

Various Booster subsidies are provided to investors depending on the green and sustainability initiatives undertaken, employment generated, and women's participation in the workforce as well as co-location of R&D and Manufacturing investments by an entity in Karnataka.

These boosters have been provided over the base subsidy. In case PLI is chosen as the base subsidy, the total increase in VFA cap would not be higher than 5% irrespective of the number of boosters applicable for the investment.

### 5.2.1. Employment Booster for Large, Mega & Ultra Mega Enterprises

Industries providing extra employment shall get additional incentives as below:

**Table 8-** Employment Booster for Large, Mega and Ultra Mega Enterprises

	Slab 1	Slab 2	Slab 3
Employment Slabs (x: Multiple of Minimum Employment)	3x-4x	4x-5x	>5x
Booster on Incentive opted (additional incentive on Capital Subsidy/ PLI eligible incentive amount)	7.5%	10%	15%
The absolute increase in VFA limit in case of PLI chosen as base subsidy	5%	5%	5%

The following table depicts the Exhibit of Employment Booster Subsidy Calculations:

**Table 9-** Exhibit Calculation of Employment Booster Subsidy

Investment	Value
Investment Amount (INR Cr.)	800
Location of Investment	Zone 2
Fixed Asset to Turnover Ratio (FATR)	125%
Employment Generated	1400
Category of Investment	Mega
Base Subsidy Opted by Investor	Capex Subsidy
Base Subsidy (Capex Subsidy)	20% of Value of Fixed Assets disbursed in 5 years after commercial production
Minimum Employment Threshold	$800 \times 0.5 = 400$
Employment Slab	$1400 / 400 = 3.5$ : Slab 1
Employment Booster applicable	7.5%
Total Subsidy (Capex Subsidy)	$20\% \times (1 + 0.075) = 21.5\%$ of Value of Fixed Assets disbursed in 5 years

## 5.2.2. Women's Participation in the Workforce for Large, Mega & Ultra Mega Enterprises

The inclusion of women in the workforce is a critical component of Karnataka's Industrial Policy, aiming to leverage the full potential of its human resources to drive economic growth and innovation. Recognizing the importance of gender diversity, the state's initiatives seek to create an inclusive environment that supports women's participation across various industrial sectors. This approach not only enhances productivity but also promotes a more equitable distribution of economic benefits.

By implementing policies that encourage the employment of women, Karnataka is addressing skill shortages and tapping into a wider talent pool, which is vital for sustaining its competitive edge in both national and global markets. Such measures are expected to contribute significantly to the state's social and economic objectives, making it a model for gender inclusiveness in industrial development.

The following table depicts the booster on incentives basis percentage of women in the workforce:

**Table 10- Women Participation Booster for Large, Mega and Ultra Mega Enterprises**

	<b>Slab 1</b>	<b>Slab 2</b>	<b>Slab 3</b>
Percentage of Women in the Workforce	50%+	60%+	70%+
Booster on Incentive opted (additional incentive on capital subsidy/PLI eligible incentive amount)	7.5%	10%	15%

The following table depicts the Exhibit of Women Participation Booster Subsidy Calculations:

**Table 11- Exhibit Calculation of Women Participation Booster Subsidy**

Investment	Value
Investment Amount (INR Cr.)	800
Location of Investment	Zone 2
Fixed Asset to Turnover Ratio (FATR)	150%
Employment Generated	800
Category of Investment	Mega
Base Subsidy Opted by Investor	PLI Subsidy
Base Subsidy (PLI Subsidy)	2.0% of Net Sales Turnover for a period of 6 years after Commercial Production
Percentage of women in the workforce	65%
Women Participation Slab	Slab 2
Women Participation Booster applicable	10%
Total Subsidy (PLI Subsidy)	2.0% X (1 + 0.01) = 2.2% of Net sales Turnover for a period of 6 years after Commercial Production

### 5.2.3. Booster for co-location of R&D and manufacturing units of Large, Mega & Ultra Mega Enterprises

To leverage Karnataka's established R&D ecosystem and attract high-value manufacturing investments, the state has introduced a booster for companies establishing both R&D and manufacturing operations in Karnataka. This initiative aims to encourage companies with existing or planned R&D facilities in the state to expand their footprint by adding manufacturing units, thereby benefiting from enhanced incentives on their manufacturing investments.

All large, mega, and ultra mega enterprises that are setting up a manufacturing unit and either have an existing R&D facility or are planning to set up one would be eligible for the following booster incentive:

<b>Booster</b>	<b>Booster on incentive opted</b>	<b>Absolute increase in VFA limit in case PLI is chosen as base subsidy</b>
Capital Subsidy on Manufacturing	10%	NA
Production-Linked Incentive (PLI) on Manufacturing	10%	5%
Additional Incentives on R&D	NA	NA

## 5.3. ADDITIONAL SUPPORT TO LARGE, MEGA & ULTRA MEGA ENTERPRISES

Following support will be continued from the Industrial Policy 2020-25 for Large and above investment categories:

Table 12- Additional Support for Large, Mega and Ultra Mega Enterprises

<b>Support</b>	<b>Details</b>
Exemption from Stamp Duty	<p>Stamp duty to be paid in respect of loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government including VAT/ SGST loan from Department and/or State Financial Corporations, Industrial Investment Development Corporations, National Level Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks and other institutions which may be notified by the Government from time to time for the initial period of five years only and for lease deeds, lease-cum-sale, sub-lease and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements by Karnataka Industrial Areas Development Board, KSIIDC, KEONICS, Industrial Co-operatives, approved private industrial estates/parks, food parks, SPV formed by GoK/GoI and other approved industrial parks shall be exempted as below:</p> <p>Zone 1: 100%  Zone 2: 75%  Zone 3: Nil  Stamp Duty exemption on working capital loan arrangements can be only claimed till 3 years from the start of commercial production.</p>

Support	Details
Concessional Registration Charges	<p>Zones 1 and 2: INR 1/- per INR 1000/- Zone 3: Nil</p> <p><b>Note:</b></p> <ol style="list-style-type: none"> <li>1. The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act, 1961 for the projects approved by SLSWCC/SHLCC. This incentive will also be applicable for the land transferred by KIADB to landowners as compensation for the acquired land.</li> <li>2. The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of lands, sheds, plots, and industrial tenements after the expiry of the lease period at the rate as specified in the Industrial Policy which was in force at the time of execution of lease-cum-sale deed.</li> <li>3. CETP/Industrial Hazardous waste disposal projects set up by private investors to support these industries will be eligible for 100% exemption from stamp duty and concessional registration charges of INR 1/- per INR 1,000/- in all zones.</li> <li>4. Lands transferred by KIADB to KSSIDC for the development of industrial estates will be eligible for 100% exemption from stamp duty and concessional registration charges of INR 1/- per INR 1,000/- in all zones.</li> <li>5. 100% reimbursement of stamp duty shall be provided in Lieu of 100% exemption of Stamp Duty till such time an amendment is made in the Karnataka Stamp Act. However, Enterprises can avail stamp duty exemption and concessional registration charges as per Karnataka Industrial Policy 2020-25 till such time an amendment is made to the Karnataka Stamp Act in all Zones.</li> </ol>
Reimbursement of Land Conversion Fee	<p>Zone 1: 100%</p> <p>Zone 2: 100%</p> <p>Zone 3: Nil</p>



## 5.4. FISCAL INCENTIVES FOR LOGISTICS AND WAREHOUSING

The logistics and warehousing companies will be eligible for these fiscal incentives subject to the minimum investment and minimum area conditions as mentioned in the definitions as per Annexure-1.

**Table 13-** Fiscal incentives for logistics and warehousing project

<b>Incentive Head</b>	<b>Quantum</b>		
Capital subsidy (% of the eligible fixed capital investment)	The minimum area and minimum investment for the different logistics and warehousing facilities to get incentives and concessions are as below:		
	<b>Logistics and warehousing facility</b>	<b>Minimum area</b>	<b>Minimum investment (in Rs. Cr)</b>
	<b>Warehouse</b>		
	Inside industrial area	20,000 sq. ft	3
	Outside industrial area	70,000 sq. ft	10
	<b>Logistics Park</b>		
	Large Logistics Park	20 acres	100
	Mega Logistics Park	100 acres	350
	Cold storages	10,000 sq. ft	1.5
	Truck terminal	5 acres	7.5
The above logistics and warehousing facilities can avail capital subsidy under Micro, Small, Medium, Large and Mega Enterprises as applicable.			
Note:			
<ol style="list-style-type: none"> <li>Fixed Capital Investment is a total investment made on land, building and plant &amp; machinery including R&amp;D equipment and other productive assets like tools, jigs &amp; fixtures, dyes, utilities like DG Sets, cranes, material handling equipment and such other equipment directly related to commercial operations.</li> </ol>			
<ol style="list-style-type: none"> <li>Capital subsidy will be given in five equal installments from the year of commercial operations.</li> </ol>			
<ol style="list-style-type: none"> <li>Other incentives and concessions are as per Industrial Policy 2025-30.</li> </ol>			
<ol style="list-style-type: none"> <li>The above logistics and warehousing facilities will be excluded from incentives in Bengaluru Urban in Zone-3.</li> </ol>			

## 5.5. AFFORDABLE INDUSTRIAL DORMITORY SUBSIDY

Incentives are also provided for the construction of dormitories for Ultra Mega Investors. The amount will depend on the option chosen by an investor in Base Subsidy. Following are the incentives to be provided for Housing/Dormitory.

Table 14- Subsidy for Industrial Dormitory Construction for Ultra Mega Industries

Capex Subsidy	PLI
Same capex subsidy under Base Subsidy extended on construction cost with a limit of INR 1 Crore per 1,000 people's accommodation	One-time subsidy up to a limit of INR 1 Crore per 1,000 people's accommodation

The conditions set for availing of the Industrial Dormitory incentives are as follows:

1. The Industrial Dormitory ownership should be with the same entity as the entity doing the manufacturing investment
2. The ownership of the land on which the Industrial Dormitory should be with the same entity as the entity doing manufacturing investment
3. The location of the Industrial Dormitory should be within the same or different KIADB Industrial Area <5 km from the location of the manufacturing investment
4. The Industrial dormitory subsidy will be disbursed after due verifications on the number of people availing of the accommodation facility in the industrial dormitory



## 5.6. SUSTAINABILITY LINKED INCENTIVES

Incorporating sustainability-linked incentives into the new industrial policy of Karnataka is crucial for fostering a resilient and future-ready industrial sector. These incentives will drive industries to adopt eco-friendly practices, reduce carbon footprints, and enhance resource efficiency. By prioritizing sustainable development, Karnataka can attract forward-thinking investors, create green jobs, and ensure long-term economic growth without compromising environmental integrity.

This strategic approach will not only address the pressing challenges of climate change but also position Karnataka as a leader in sustainable industrialization, ensuring that its growth is inclusive, responsible, and aligned with global sustainability goals.

The following table depicts mandatory activities for the small and above category of investments.

**Table 15-** List of Mandatory activities for eligibility of Sustainability linked incentives

Category	Mandatory Activities	Investment type
Rain Water Harvesting	Mandatory for Building structures	Small and above investments
Water Body Restoration Projects	Water Body Restoration (water bodies like Lake, Ponds, and Borewells) wherever possible within the plot in the Industrial Area	Medium and above investments

*The following initiatives will be eligible for Sustainability Linked Incentives for Large and above investments. Capital expenditure / operational expenditure under the following initiatives will not be considered under calculations of the Value of Fixed Assets for Base Subsidy*

**Table 16-** Sustainability initiatives linked incentives for large and above investments

Initiatives	Incentives (Capped at 10% of Value of Fixed Assets)
Environmental Infrastructure Facilities	
(a) ETPs	50% of cost of equipment up to INR 2.50 Cr
(b) CETPs, Waste Management Projects, Industrial Hazardous Waste Disposal Projects)	50% of cost of equipment up to INR 5.00 Cr
Zero Liquid Discharge	50% of cost of equipment up to INR 1 Cr
Air Pollution Control Measures (Electrostatic Precipitators, Bag House Filters, Scrubbers, SCR system)	50% of cost of equipment up to INR 1 Cr
Energy Efficiency Measures (High-Efficiency Lighting - LEDs, Use of high-efficiency motors through Variable Frequency Drives, Installation of Continuous Energy Monitoring Systems (CEMS) and Continuous Air Quality Monitoring Systems (CAMS), etc)	50% of certification costs up to INR 1 Cr

<b>Initiatives</b>	<b>Incentives (Capped at 10% of Value of Fixed Assets)</b>
Electrification of Low-Temperature Thermal Processes as well as Energy Backups (to Li-ion BESS)	50% of cost of equipment up to INR 1 Cr
Conversion of Passenger Vehicles and Utility Vehicles exclusively used in Industrial Areas to EV	Subsidy of 10% of cost up to a total of INR 20 Lakh
Other Emerging Green Technology Areas	Case-to-case basis

The following initiatives will be eligible for Sustainability Linked Incentives for MSME investments. Capital expenditure / operational expenditure under the following initiatives will not be considered under calculations of the Value of Fixed Assets for Base Subsidy.

Table 17- Sustainability initiatives linked incentives for MSME investments

<b>Initiatives</b>	<b>Incentives (Capped at 10% of Value of Fixed Assets)</b>
Environmental Infrastructure Facilities (Eg: ETPs, CETPs Waste Management Projects)	50% of cost of equipment up to INR 50 Lakh
Zero Liquid Discharge	50% of cost of equipment up to INR 50 Lakh
Air Pollution Control Measures (Electrostatic Precipitators, Baghouse Filters, Scrubbers, SCR system)	50% of cost of equipment up to INR 50 Lakh
Energy Efficiency Measures (High-Efficiency Lighting - LEDs, Use of high-efficiency motors through Variable Frequency Drives, Installation of Continuous Energy Monitoring Systems (CEMS) and Continuous Air Quality Monitoring Systems (CAMS), etc)	50% of certification costs up to INR 50 Lakh
Electrification of Low-Temperature Thermal Processes as well as Energy Backups (to Li-ion BESS)	50% of cost of equipment up to INR 50 lakh
Conversion of Passenger Vehicles and Utility Vehicles exclusively used in Industrial Areas to EV	Subsidy of 10% of cost up to a total of INR 10 Lakh
Other Emerging Green Technology Areas	Case-to-case basis

A detailed list of initiatives to be covered in the Sustainability Linked Incentives is listed in Annexure 2.

Further, as per the MOU signed by KSPCB with the CII-GreenCo Rating system, investors can avail of awards and special case discounts for enrolling in the Green Co Rating Program through KSPCB.

**Table 18- Sustainability Outcome Linked Incentives in INR basis KSPCB-CII Green Co Rating Program**

Awards (INR Cr) Rating	MSME	Large CI (INR 10 Cr – INR 50 Cr)	Large CI (INR 50 Cr – INR 100 Cr)	Large CI (INR 100 Cr – INR 250 Cr)	Large CI (INR 250 Cr – INR 1000 Cr)	Large CI (>INR 1000 Cr)
Platinum	50,000	3,00,000	4,00,000	5,00,000	7,50,000	10,00,000
Gold		2,00,000	2,50,000	3,00,000	5,00,000	7,50,000
Silver		1,50,000	2,00,000	2,00,000	2,50,000	5,00,000
Bronze		75,000	1,00,000	1,00,000	1,50,000	2,50,000

**1. Note:**

1.1. Capital Investment (CI) shall be as defined in Rule 32 of Karnataka Water Rules and the Size of the industry shall be as per KSPCB norms.

1.2. The GreenCo rating incentive scheme is operational from the financial year 2023-24. The procedure and guidelines for availing of the incentives will be published by the Karnataka State Pollution Control Board separately.

1.3. Incentives and awards through the GreenCo Rating Program will be administered by the Karnataka State Pollution Control Board

2. Annual recognition for best 3 units in each category as above will be given annual awards at State Level function to be organized by the State Board and State Government.

3. Exclusive mention of GreenCo-rated companies on the website of KSPCB: The Board will prominently feature all the GreenCo-rated companies in the State with their unique features on the KSPCB website to provide them publicity and recognition

Additionally, the Industrial Policy aims to provide additional incentives on base subsidy to companies who have certification with GreenCo to encourage companies to adopt sustainable processes. The incentives are to be provided as follows:

**Table 19- Incentives for Large and above Investments**

Rating categories	Large (INR 50Cr – INR 300Cr)	Mega (INR 300Cr – INR 1000Cr)	Ultra Mega (INR 1000Cr+)
Platinum and above	12.5%	10%	5%
Gold	10%	7.5%	4%
Silver	7.5%	5%	3%
Bronze	5%	3.5%	3%
Certified		50% on the cost of the application	

The Industrial Policy 2025-30 currently offers incentives for the GreenCo rating system, and the Government of Karnataka may, in the future, extend similar incentives to other emerging rating systems after careful evaluation. Additionally, the government may develop its own rating system to classify companies based on their commitment to and implementation of sustainable practices, to incentivize such efforts.

The Policy also aims to promote the establishment of facilities for recycling plastic, e-waste and biomedical waste. The following incentives are proposed for the same:

**Table 20-Incentives for recycling facilities**

Type of support	Incentive to all Enterprises
Encouragement for recycling facilities (plastic, e-waste and biomedical waste) and waste to energy generation facilities	One-time capital subsidy of up to 50% of the cost of the facility for all zones subject to a ceiling of INR 5Cr

## 5.7. FINANCIAL INCENTIVES FOR MSME ENTERPRISES

MSME enterprises form the backbone of the industrial ecosystem and hence it is important to provide robust support to MSMEs in the form of financial incentives.

**Table 21- Incentives for Micro and Small Enterprises**

Support	Details	
Capital Subsidy for Micro Industries	General	Special Category (SC/ST, Women, Minorities, Physically Challenged and Ex-Servicemen)
	VFA – Value of Fixed Assets	Zone 1: 35% of VFA (max of INR 35 Lakh) Zone 2: 30% of VFA (max of INR 30 Lakh) Zone 3: 15% of VFA (max of INR 15 Lakh) (only Bengaluru Rural)
Capital Subsidy for Small Industries	General	Special Category (SC/ST, Women, Minorities, Physically Challenged and Ex-Servicemen)

Support	Details
	<p>Zone 1: 25% of VFA (max of INR 200 Lakh)  Zone 2: 20% of VFA (max of INR 150 Lakh)  Zone 3: 10% of VFA (max of INR 50 Lakh) (only Bengaluru Rural)</p> <p>VFA - Value of Fixed Assets</p>
Zone 1: 30% of VFA (max of INR 225 Lakh) Zone 2: 25% of VFA (max of INR 175 Lakh) Zone 3: 15% of VFA (max of INR 75 Lakh) (only Bengaluru Rural)	VFA – Value of Fixed Assets

Note on Subsidy for Micro and Small Enterprises

The capital subsidy will be disbursed in 2 installments.

Support	Details				
	<table border="1" style="width: 100%;"> <thead> <tr> <th style="background-color: #e0e0e0;">Capital Subsidy</th> <th style="background-color: #e0e0e0;">Production linked incentive</th> </tr> </thead> <tbody> <tr> <td>Capital Subsidy after commercial production disbursed in 4 annual and equal disbursements   Zone 1: 25% of VFA (max of INR 10 Cr.)  Zone 2: 20% of VFA (max of INR 8 Cr.)  Zone 3: 10% of VFA (max of INR 4 Cr.) (only for Bengaluru Rural)   VFA – Value of Fixed Assets</td><td>Production Linked Incentives for 7 years   Zone 1: 2.5% of net sales turnover (capped at 60% of VFA)  Zone 2: 2.0% of net sales turnover (capped at 60% of VFA)  Zone 3: 1.0% of net sales turnover (capped at 30% of VFA) (Only for Bengaluru rural district)   VFA – Value of Fixed Assets</td></tr> </tbody> </table>	Capital Subsidy	Production linked incentive	Capital Subsidy after commercial production disbursed in 4 annual and equal disbursements  Zone 1: 25% of VFA (max of INR 10 Cr.) Zone 2: 20% of VFA (max of INR 8 Cr.) Zone 3: 10% of VFA (max of INR 4 Cr.) (only for Bengaluru Rural)  VFA – Value of Fixed Assets	Production Linked Incentives for 7 years  Zone 1: 2.5% of net sales turnover (capped at 60% of VFA) Zone 2: 2.0% of net sales turnover (capped at 60% of VFA) Zone 3: 1.0% of net sales turnover (capped at 30% of VFA) (Only for Bengaluru rural district)  VFA – Value of Fixed Assets
Capital Subsidy	Production linked incentive				
Capital Subsidy after commercial production disbursed in 4 annual and equal disbursements  Zone 1: 25% of VFA (max of INR 10 Cr.) Zone 2: 20% of VFA (max of INR 8 Cr.) Zone 3: 10% of VFA (max of INR 4 Cr.) (only for Bengaluru Rural)  VFA – Value of Fixed Assets	Production Linked Incentives for 7 years  Zone 1: 2.5% of net sales turnover (capped at 60% of VFA) Zone 2: 2.0% of net sales turnover (capped at 60% of VFA) Zone 3: 1.0% of net sales turnover (capped at 30% of VFA) (Only for Bengaluru rural district)  VFA – Value of Fixed Assets				

**Note:**

Medium Enterprises can avail production linked incentive to an extent of percentage of the turnover in each financial year for a maximum period as above from the date of commercial production. Such cumulative production linked incentive availed will be limited to either the period or VFA limits whichever is reached earlier and no carry forward is permitted.

**Note:** Additional incentives for the Taluks as categorized by Dr. D.M. Nanjundappa Committee Report as below:

1. Capital Subsidy for Micro Industries – Additional 5% of total value of fixed assets (Maximum of Rs. 5 lakh) for most backward taluks and additional 3% of total value of fixed assets (Maximum of Rs. 3 lakh) for more backward taluks.
2. Capital Subsidy for Small Industries – Additional 5% of total value of fixed assets (Maximum of Rs. 10 lakh) for most backward taluks and additional 3% of total value of fixed assets (Maximum of Rs. 5 lakh) for more backward taluks.
3. Capital Subsidy for Medium Industries – Additional 5% of total value of fixed assets (Maximum of Rs. 50 lakh) for most backward taluks and additional 3% of total value of fixed assets (Maximum of Rs. 25 lakh) for more backward taluks.
4. Production linked incentives for Medium Industries – Additional 5% of incentives capped for most backward taluks and additional 3% of incentives capped for more backward taluks.

## ADDITIONAL SUPPORT TO MSMES

Table 22- Additional Support for MSME Enterprises

Support	Details							
	General	Special Category (SC/ST, Women, Minorities, Physically Challenged and Ex-Servicemen)						
Exemption of Stamp Duty for MSMES	<p>Stamp duty to be paid in respect of loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Financial Corporation, National Level Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks, Khadi and Village Industries Board, Khadi and Village Industries Commission, Karnataka State SC/ST Development Corporation, Karnataka State Minority Development Corporation and other institutions which may be notified by the Government from time to time for the initial period of five years only and for lease deeds, lease-cum-sale, sub-lease, transfer of leasehold rights and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements, flatted factories by Karnataka Industrial Areas Development Board, Karnataka State Small scale Industries Development Corporation, KEONICS, Industrial Co-operatives, approved private industrial estates/parks, food parks, SPV formed by GoK/GoI and other approved industrial parks shall be exempted as below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Zone 1: 100%</td><td style="padding: 5px;">Zone 1: 100%</td></tr> <tr> <td style="padding: 5px;">Zone 2: 100%</td><td style="padding: 5px;">Zone 2: 100%</td></tr> <tr> <td style="padding: 5px;">Zone 3: Nil</td><td style="padding: 5px;">Zone 3: 75%</td></tr> </table> <p>Stamp Duty on working capital loan arrangements can be only claimed till 3 years from the start of commercial production:</p>	Zone 1: 100%	Zone 1: 100%	Zone 2: 100%	Zone 2: 100%	Zone 3: Nil	Zone 3: 75%	
Zone 1: 100%	Zone 1: 100%							
Zone 2: 100%	Zone 2: 100%							
Zone 3: Nil	Zone 3: 75%							
Concessional Registration Charges for MSMES	Zones 1 and 2: INR 1/- per INR 1000/- Zone 3: Nil	Zones 1, 2 and 3: INR 1/- per INR 1000/-						
<p><b>Note:</b></p> <ol style="list-style-type: none"> <li>1. The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act, 1961 for the projects approved by SLSWCC/DLSWCC. This incentive will also be applicable for the land transferred by KIADB to landowners as compensation for the acquired land.</li> <li>2. The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of lands, sheds, plots, and industrial tenements after the expiry of the lease period at the rate as specified in the Industrial Policy which was in force at the time of execution of lease-cum-sale deed.</li> </ol>								

Support	Details
	<p>3. CETP/Industrial Hazardous waste disposal projects set up by private investors to support these industries will be eligible for 100% exemption from stamp duty and concessional registration charges of INR 1/- per INR 1,000/- in all zones.</p> <p>4. 100% reimbursement of stamp duty shall be provided in Lieu of 100% exemption of Stamp Duty till such time an amendment is made in the Karnataka Stamp Act. However, Enterprises can avail stamp duty exemption and concessional registration charges as per Karnataka Industrial Policy 2020-25 till such time an amendment is made to the Karnataka Stamp Act in all Zones.</p>
Reimbursement of Land Conversion Fee after commercial production for MSMEs	<p>Zone 1: 100%</p> <p>Zone 2: 100%</p> <p>Zone 3: Nil</p>
Exemption from Tax on Electricity Tariff for MSMEs	<p>Zone 1: 100% for 7 years</p> <p>Zone 2: 100% for 6 years</p> <p>Zone 3: Nil</p>
Power Subsidy for Micro and Small Enterprises	<p>For Zone 1 &amp; 2 only</p> <p>Reimbursement of cost of power paid at INR 1.00/- per unit consumed for a period of 3 years.</p>

Further, MSMEs can avail of Quality Certification Incentives and the following list of quality certifications are eligible for the Quality Certification incentives.

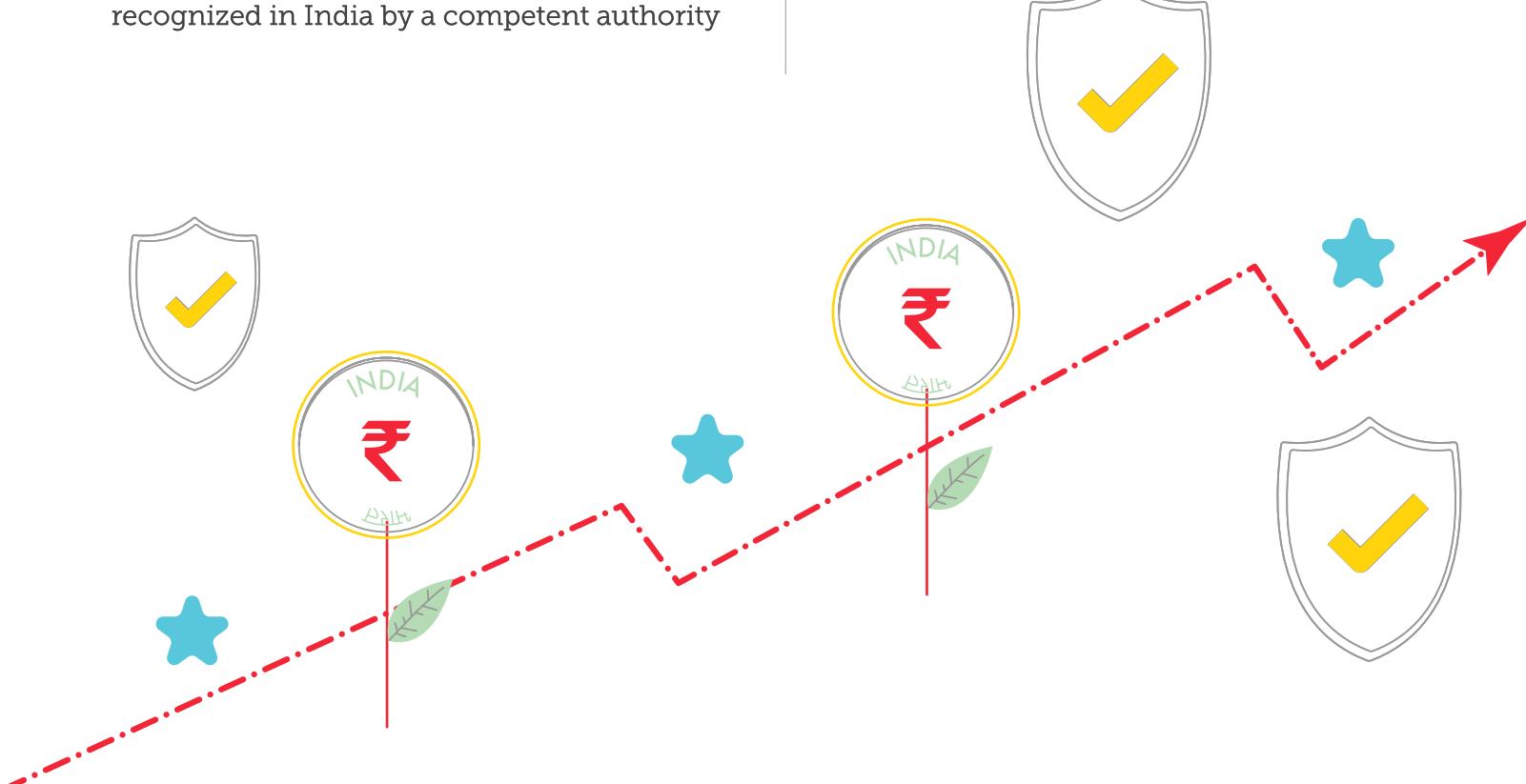
Table 23- Quality Certification Support for MSMEs

Quality Certification	Incentives
International Organization for Standardization (ISO)	
Bureau of Indian Standards (BIS)	
FSSAI – AGMARK	
ECOMARK	
Zero Defect Zero Effect (ZED)	50% of the cost of the application (Total Capping at INR 5,00,000 per entity)
Indian Standards Institution (ISI)	
Fruit Products Order (FPO)	
Bureau of Energy Efficiency (BEE)	
Any other international quality certification recognized in India by a competent authority	

Additionally, to promote the export readiness of MSMEs, the following certifications will be supported by the Government of Karnataka. This will help MSMEs achieve the necessary standards and qualities to be qualified for export

Table 24- Export Readiness Certification Support for MSMEs

Export Certification	Incentives
Conformity European (CE Certification)	
China Compulsory Certification (CCC)	
Phyto-sanitary certificates	
International Featured Standards, British Retail Consortium, Food Safety Standard Certification (IFS-BRC-FSSC 22000)	
Supplier Ethical Data Exchange (SEDEX)	
Good Hygiene Practices (GHP)	50% of the cost of the application (Total Capping at INR 5,00,000 per entity)
Good Manufacturing Practices (GMP)	
Good Laboratory Practices (GLP)	
Hazard Analysis and Critical Control Point (HACCP)	
Any other international quality certification recognized in India by a competent authority	



## 5.8. SUPPORT TO HEALTHCARE ENTERPRISES

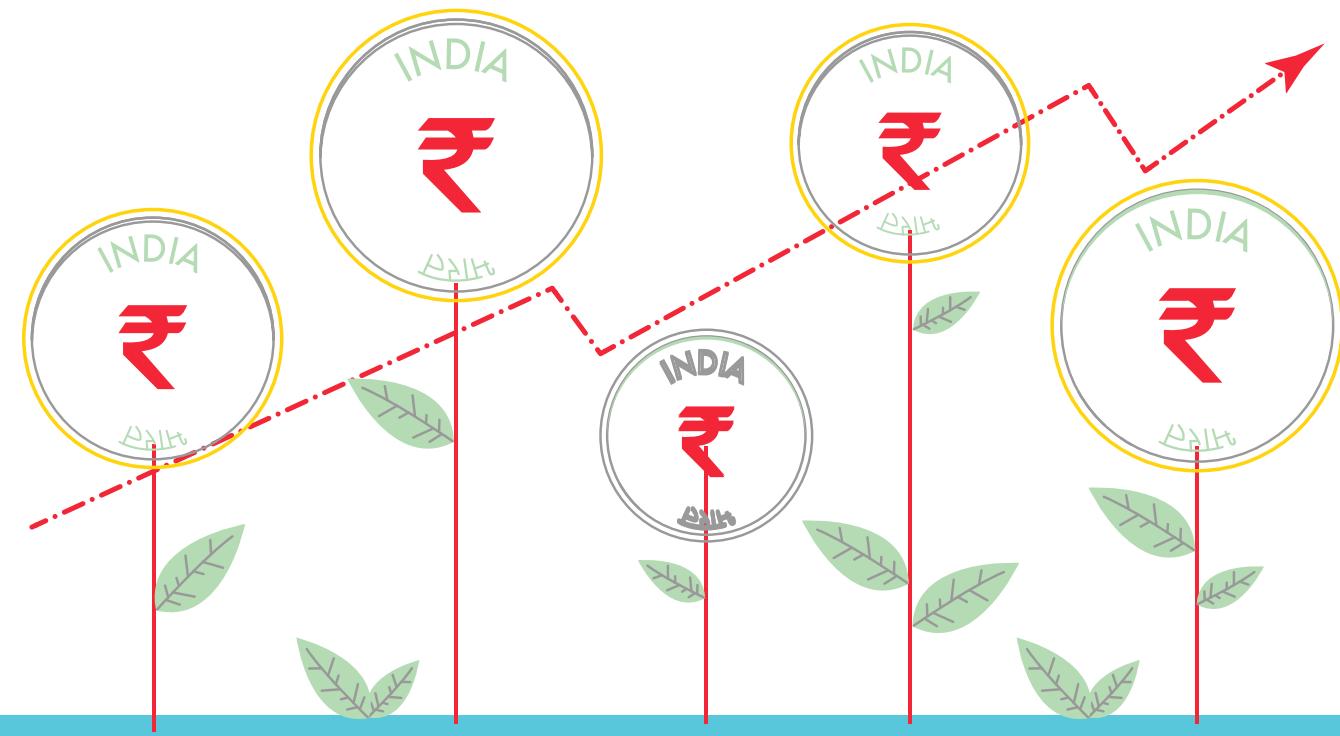
Healthcare enterprises form a critical part of the civic amenities required to create a thriving industrial ecosystem. Eligible healthcare enterprises can be defined as hospitals with diagnostic labs set up over at least 1 acre in Industrial Area/estate and having at least 50 beds. Ayurvedic hospitals shall not be eligible for incentives. Thus, the Policy aims to incentivize the same as follows:

Table 25- Incentives for healthcare enterprises and facilities

Support	Incentives
Promotion of establishment of healthcare enterprises in industrial parks	<b>Reimbursement of stamp duty</b> Stamp duty to be paid in respect of loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Financial Corporations, Industrial Investment Development Corporations, National Level Financial Institutions, Commercial Banks, Regional Rural Banks, Co-operative Banks, and other institutions which may be notified by the Government from time to time for the initial period of five years only and for lease deeds, lease-cum-sale, sub-lease and absolute sale deeds executed by industrial enterprises in respect of industrial plots, sheds, industrial tenements by Karnataka Industrial Areas Development Board.

## 5.9. ELIGIBILITY FOR CUSTOMIZED INCENTIVE PACKAGE

Investments greater than INR 1,000 Cr will be eligible for a customized incentive package on a case-to-case basis depending on the strategic nature of the investment and the employment generation potential of the investment. The state will also consider investments in new and sunrise sectors on a case-to-case basis and may provide a customized incentive package tailored to the specific needs and strategic importance of such investments.



# 06

# ENABLING WORLD-CLASS INDUSTRIAL INFRASTRUCTURE

## 6.1. INVOLVEMENT OF PRIVATE PLAYERS FOR INFRASTRUCTURE DEVELOPMENT

Infrastructure is one of the key requirements of the investors in deciding for location of investment. Along with connectivity in the state in the form of Roads, Railways, and Airports, it is equally important for the investors to have confidence in the trunk infrastructure in the industrial areas like internal roads, power supply, water supply, natural gas supply, etc.

In the new industrial policy of Karnataka, a strategic focus is placed on developing world-class infrastructure to catalyze robust industrial growth and enhance economic competitiveness. To achieve this, the policy proposes the implementation of the Public-Private Partnership (PPP) model for the development of private industrial areas. This initiative aims to leverage private expertise and resources, ensuring the rapid construction and management of sophisticated industrial zones. Furthermore, the policy introduces the concept of Ready Built Factories (RBFs), which are encouraged to be developed by private players.

As part of the policy, it will provide a provision for the Government Authority - Karnataka Industrial Area Development Board (KIADB) to get into a Special Purpose Vehicle arrangement with private players with <25% equity stake provided in the form of land. These facilities will be modern, plug-and-play structures that reduce the time and capital investment required for new enterprises to commence operations. This will also help KIADB to focus on enlarging the land bank by dedicated efforts on land acquisition and water/power infrastructure.

Further, private player involvement in creating world-class infrastructure will become a key booster for infrastructure availability for future industrial growth in Karnataka. Hence, the following incentives and concessions for Private Industrial Parks are provided to encourage Private Industrial Parks.

Table 26- Support for Private Industrial Park and Infrastructure Development

Support	For all categories
Capital Subsidy disbursed in 3 years across equal disbursements	10% of the Value of Fixed Assets on building and infrastructure facilities in all Zones (Value of Fixed Assets includes investment in preparation of land, laying of infrastructure for utilities (water, power, gas) and roads)

Support	For all categories
Exemption of Stamp Duty and Concessional Registration Charges	Stamp Duty to be paid shall be exempted and concessional registration charges rate of INR 1/- per INR 1,000/- in respect of loan agreements and for lease deeds, lease-cum-sale deeds, absolute sale deeds executed by the Developer in respect of lands purchased for development of private industrial parks in all Zones.
Provision for SPV in Private Industrial Park Creation	Government will facilitate KIADB with a provision to enter into a Special Purpose Vehicle with <25% equity stake in the form of raw land for the development of industrial areas in PPP mode as mentioned in Section 6.1 through transparent process.

Support for Private industrial parks will be eligible based on the following table on the minimum extent developed. The project can be either in PPP mode or private development and must be approved under SLSWCC/SHLCC.

Table 27- Minimum extent of Private Industrial Park Development for Incentives

Category of Infrastructure	Minimum Extent (Acres)
Knowledge-Based Industries / Flatted Factories	5
Logistics	20
Multi/Sector Specific Industrial Parks	50
Integrated Industrial Parks	200

## 6.2. SUPPORT ON INDUSTRIAL DORMITORY CONSTRUCTION BY INVESTORS

In addition to these infrastructural developments, the policy also recognizes the importance of supporting the workforce directly. It proposes the construction of dormitories by private entities to provide affordable and convenient living options for factory workers.

The government will support these efforts through subsidies, making it financially viable for private players to invest in these critical accommodations. The fiscal incentives for support on dormitory construction by Ultra Mega Investors are described in Section 5.5

## **6.3. SUPPORT ON CREATION OF COMMON FACILITY CENTRES**

Further, it is proposed to create Common Facility Centres (CFC) in key industrial areas and strategic sectors to provide infrastructure to upcoming startups and MSMEs to utilize the facilities and get embedded into the supply chain ecosystem of large investors. A CFC would serve as an infrastructure support in terms of quality testing and prototype development. Following are the benefits envisioned through CFCs in Karnataka.

### **1. Cost Efficiency:**

CFCs reduce the capital expenditure for individual businesses by providing access to expensive machinery, equipment, and technology on a shared basis. This allows SMEs to utilize advanced tools without bearing the full cost.

### **2. Access to Advanced Technology:**

They provide SMEs access to state-of-the-art technology and facilities that they might not afford individually. This access helps businesses improve their production quality, increase efficiency, and stay competitive.

### **3. Skill Development:**

CFCs often include training facilities that help workers and entrepreneurs upgrade their skills. This can lead to improved productivity and innovation within the industry.

### **4. Quality Improvement:**

With access to better facilities and equipment, businesses can enhance the quality of their products, which can help them meet international standards and increase their marketability.

### **5. Research and Development:**

CFCs can serve as hubs for R&D activities, enabling businesses to develop new products and processes. This collaborative environment fosters innovation and technological advancements.

### **6. Enhanced Competitiveness:**

By reducing costs and improving product quality and innovation, CFCs help SMEs become more competitive both in domestic and international markets.

### **7. Collaborative Environment:**

CFCs foster a collaborative environment where businesses can share knowledge, best practices, and innovations. This networking can lead to new business opportunities and partnerships.

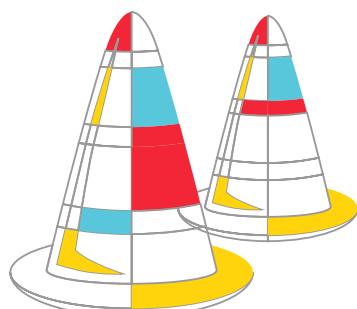
### **8. Support Services:**

These centers often provide various support services, such as testing, quality control, and certification, which are essential for maintaining product standards and accessing new markets.

### **9. Sustainability:**

By sharing resources, CFCs promote sustainable practices, reducing waste and energy consumption compared to individual businesses operating in isolation.

Hence, it is encouraged for private participation in the establishment of CFCs, and government support in the creation of CFCs will be discussed on a case-by-case basis.



## 6.4. INFRASTRUCTURE SUPPORT FOR WASTE MANAGEMENT

Waste management is a critical responsibility of the Karnataka State Government, driven by both constitutional and statutory mandates. Sanitation, including waste management, is listed under List II of the Seventh Schedule of the Indian Constitution, making it a prerogative of the State. The Plastic Waste Management Rules, 2016, and subsequent amendments emphasize the role of State authorities in implementing effective plastic waste management strategies. These rules mandate the State to ensure that plastic waste is collected, stored, transported, and disposed of in an environmentally sound manner, involving various stakeholders such as waste pickers, recyclers, and processors.

The concept of Extended Producer Responsibility (EPR) outlined in these rules further reinforces the State's mandate. EPR requires producers, importers, and brand owners to manage the plastic packaging waste they generate, ensuring a comprehensive approach to plastic waste management.

The amendments introduced in 2021 and 2022 expand these responsibilities, mandating strict compliance and providing frameworks for the collection and recycling of plastic waste. The State's role is crucial in enforcing these guidelines and ensuring that entities comply with their EPR obligations, thus reducing the environmental impact of plastic waste.

There currently exists a severe mismatch in the plastic waste produced within the State every month and the capacity of existing registered units to process this waste. Therefore, there is a need to boost this sector to increase processing capacity.

The inclusion of plastic waste management in Karnataka's industrial policy is essential to address these environmental concerns and align with national goals for sustainable development and sanitation. By adopting and enforcing these regulations, Karnataka can lead the way in sustainable industrial growth while protecting its natural resources and public health. This commitment promotes a cleaner, healthier environment for all residents of the State.

In recognition of the above, the State Government proposes the following measures:

In existing and upcoming Industrial Areas / Estates, an area of at least 1 acre and up to 5 acres shall be set aside for the setting up of Solid Waste Processing units. This land shall form part of the area set aside for civic amenities within these Industrial Areas / Estates.

Collectively, these initiatives are designed to attract substantial investment, improve operational efficiencies, and enhance the quality of life for the workforce, thereby positioning Karnataka as a leading destination for industrial innovation and growth.

## 6.5. SPECIAL INVESTMENT REGION

"Karnataka Special Investment Region Act, 2022" was notified on 12.01.2023 for the establishment, operation, control and management of mega industrial regions and for establishment of industrial areas in the State and Karnataka Special Investment Region Rules, 2023 was also notified. The Government will declare Investment Region or Industrial Area and designate them as Special Investment Region under the provisions of this Act.

By giving SIR status, the Government proposes to develop the investment region/industrial area as global hubs of economic activity supported by world class infrastructure, premium civic amenities, centers of excellence and proactive policy framework.

## 6.6. ENHANCED FAR GUIDELINES

Building regulations have locked up substantial factory land and restricted the ability of enterprises to allocate capital to the most productive use. Changes in building regulations can lead to a significant reduction in cost of doing businesses and increase in job opportunities. Reforms will be undertaken as in KIADB building regulations to maximize land use efficiency and a higher Floor Area Ratio (FAR) both in Urban & Rural areas / local authorities.



# REVAMPING SINGLE WINDOW SYSTEM FOR EASE OF DOING BUSINESS

The State Government has undertaken various initiatives as part of the Ease of Doing Business reforms in the State. Karnataka was the first state to bring out the Karnataka Industries (Facilitation) Act, 2002, and to constitute the Single Window Clearance Mechanism at the District level and State level for approvals of all Investment proposals. This has helped the Government in simplifying the procedures and fast-tracking the approvals.

Additionally, Karnataka Udyog Mitra (KUM), under the aegis of the Department of Commerce & Industries is functioning towards facilitating investments and promoting businesses in the State. KUM's role is to handhold investment proposals from new and existing investors through the entire investor journey, right from receiving the initial investment application to the eventual implementation of the project.

To facilitate Ease of Doing Business, Karnataka has put in place a technology-based Single Window Clearance platform called e-Udyami. The purpose of this system was to improve transparency and turnaround times for Investors looking to invest in the State.

The Government has now engaged the Services of a global technology giant to revamp the current Single Window Clearance system. The objective of this revamp is not only to address the known gaps & constraints of the current system but also to provide the Investors in the State, with a truly state-of-the-art and modern digital system that supports all facets of their investment journey with the State.

The State's journey of reimagining the new Single Window system has not only factored feedback from Investors and Industry associations but also extensively benchmarked the features and functionalities offered by similar systems both nationally and internationally.

**The new Single Window System will facilitate ease of doing business for Investors by providing a comprehensive set of features and functionalities:**

1. Common Application Form (CAF) based on in-principle approval for Investors at District or State level
2. Accelerate time-to-operations for Investors through an Affidavit Based Clearance (ABC) from Karnataka Udyog Mitra for initial approvals to initiate construction and other preparatory activities
3. Application, amendment, and renewal of over 130+ business services across 30+ departments at the State level and also 45 district-level services without having to leave the Portal
4. Appropriate integrations with the National Single-Window system & another Central agency system for seamless access
5. Wizard-based discovery of approvals & clearances required
6. Incentive calculators to facilitate informed decision-making

7. A multi-lingual, Generative-AI Chatbot to help Investors get all the relevant information related to policies, incentives, approvals, and compliances
8. Improved Investor experience through simplification of forms, elimination of information duplication, visibility on the application status at every stage, and event-based triggers/alerts
9. Fully functional Incentive claim and disbursement module
10. Dashboard-based operational visibility, SLA compliance & threshold-based escalations for government stakeholders at different levels for service delivery assurance and oversight
11. Support for a multi-lingual and mobile-friendly site
12. Query and grievance address for the Investors

**In addition to the above-mentioned features of the Single Window Clearance system, the State Government is committed to enhancing the overall Investor experience and turnaround times through the adoption of measures like:**

#### **1. SLA-based service delivery**

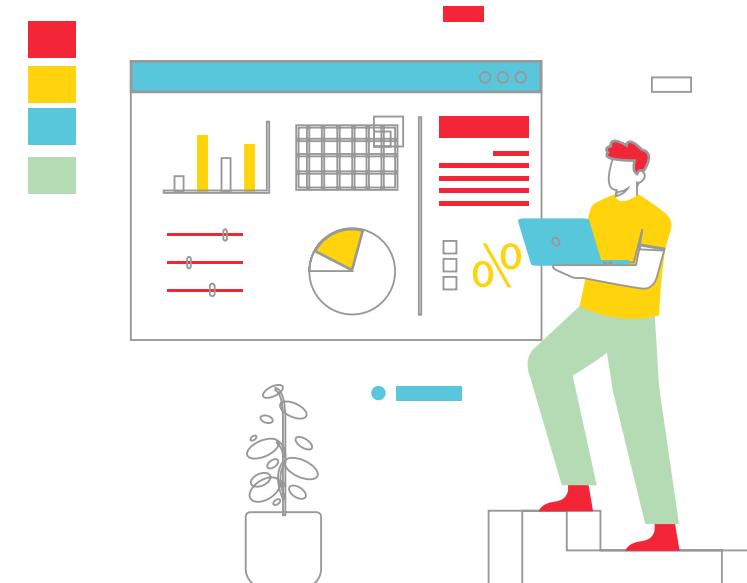
All the requisite business services needed by existing/new Investors are compulsorily brought under the purview of the SAKALA Services Act. This will ensure that all the Services being provided by all the departments at the State & District levels have a defined process, a defined SLA, and a formal grievance redressal mechanism in case the Investor would like to escalate his/her grievance. Additionally, these SLA timelines are continuously being reviewed for further reduction to improve efficiency.

#### **2. Constitution of EoDB Coordination Committee**

An EoDB Coordination Committee under the chairpersonship of the Chief Secretary to the Government, has been constituted to review the implementation of EoDB initiatives in the State. This Committee will on an ongoing basis track the various assessment frameworks being introduced by the Department for Promotion of Industry & Internal Trade (DPIIT) and ensure that a coordinated and time-bound action plan is taken up for implementation by all the concerned departments in the State.

#### **3. Constitution of Investment Proposal Monitoring Committees**

To ensure tracking, adherence to SLA-based clearances, and inter-department coordination, the State is constituting two Committees. The first under the Chairpersonship of the Chief Secretary/Additional Chief Secretary & Development Commissioner will monitor all Investment proposals approved by the State High Level Clearance Committee (SHLCC) and State Level Single Window Clearance Committee (SLSWCC). The second under the Chairpersonship of the Commissioner – Industrial Development will facilitate on-the-ground monitoring, investment facilitation, inter-department coordination, and escalation, wherever needed.



# ENSURING FUTURE-READY HUMAN CAPITAL

Ensuring future-ready human capital is a pivotal focus of Karnataka's industrial policy, particularly through the implementation of comprehensive skilling and training incentives. The policy highlights two key areas: increasing ITI (Industrial Training Institute) adoption in collaboration with industry and creating curated curriculum development alongside industry leaders.

Key initiatives in collaboration with the Department of Skill Development, Entrepreneurship, and Livelihood Mission include expanding industry-specific ITI coverage to areas such as Food Processing, CNC Operations, and 3D Printing Operations in regions like Gulbarga, Vijayapura, and Tumkur. This expansion aims to strengthen linkages between industry partners, encouraging them to adopt ITIs near defined clusters.

The key benefits of this adoption are significant, including a 40% reduction in employee training costs, reduced training time, and creating a readily available talent pool for new manufacturing skills.

Moreover, the policy proposes collaboration between industry leaders, manufacturing startups, local universities, and leading international universities to develop a manufacturing-focused curriculum. This collaboration will lead to the development of customized curricula in various fields such as software development, chemical handling, thermal management, mechanics/structural design, power electronics, and advanced robotics. This curriculum, developed in tandem with industry needs, aims to facilitate talent absorption programs through internships and placements into manufacturing sectors.

Government can act as a facilitator for adoption of ITIs by private companies to create curated learning programs and drive placement sessions for students.

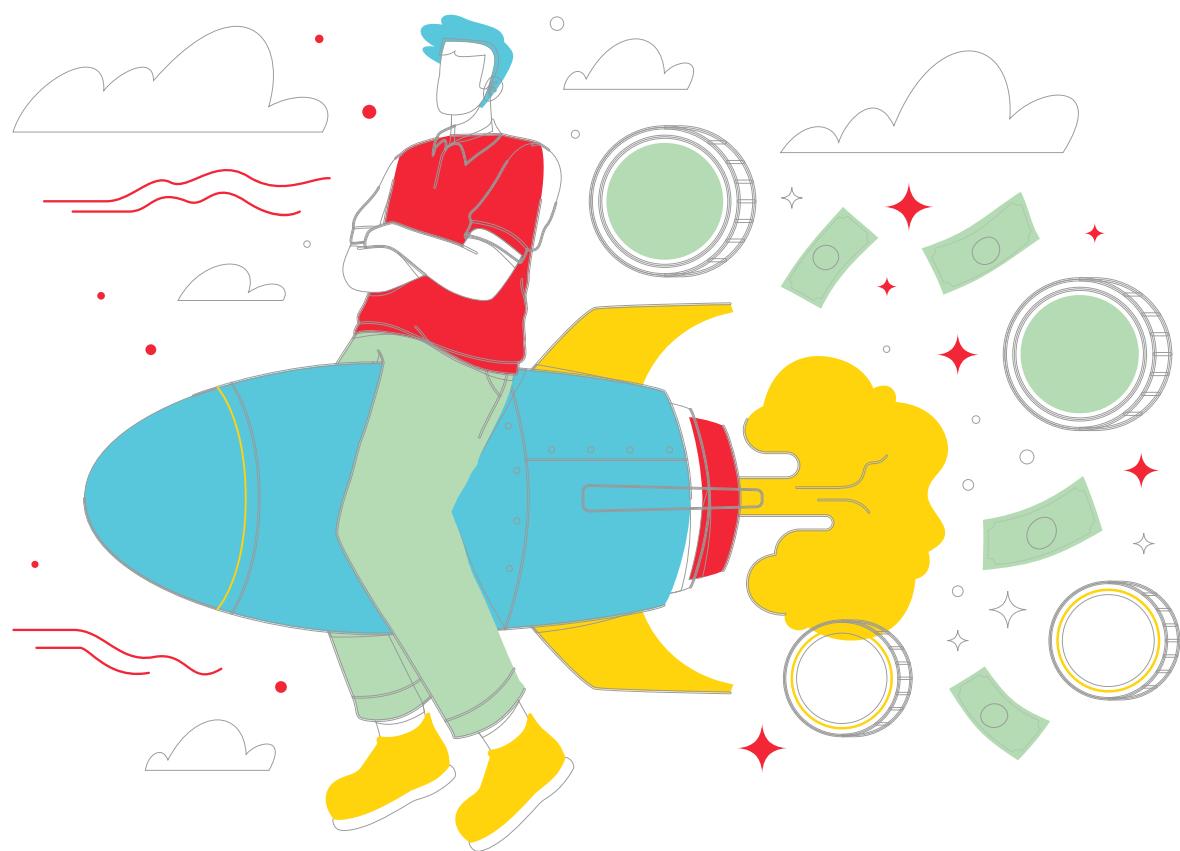
Additionally, the policy emphasizes conducting skill-gap studies in all 31 districts, especially within key manufacturing clusters, and providing refresher training programs for trainers. It also involves identifying industry partners to act as ITI champions in each district, ensuring sustained and focused development of the workforce.

Further, 30+ Government Tool Room Training Centres (GTTC) can be leveraged by various industries to develop skilling programs on state-of-the-art infrastructure at nominal costs. GTTC has affiliations with Siemens, PTC, SAP and Dassault Systems to leverage expertise in various focus sectors.

The Nipuna Karnataka initiative is a transformative skill development program launched by the Department of Electronics & IT / BT to bridge the gap between education and employability.

Aligned with the vision of fostering a future ready work force, the initiative focuses on equipping youth with industry-relevant skills through advanced training programs, partnerships with leading companies and leveraging emerging technologies. Nipuna Karnataka emphasizes inclusivity by targeting diverse sectors including IT, manufacturing, agriculture and service industries ensuring holistic development across the State. In return, industries ensure committed placement to the trained personnel.

By integrating these strategies, Karnataka's industrial policy aims to build a robust, future-ready human capital framework, ensuring that the workforce is well-equipped with the necessary skills and knowledge to thrive in the evolving manufacturing landscape. This holistic approach is designed to streamline the sourcing of skilled labor, ultimately boosting the state's industrial growth and competitiveness on a national and global scale.



# PROMOTION OF SUSTAINABILITY

Government of India has implemented several sustainability measures targeting industrial activities to promote environmental conservation and sustainable growth. Key initiatives include the National Solar Mission, which aims to make solar energy competitive with fossil-based energy options, and the Perform, Achieve, and Trade (PAT) scheme, which mandates energy efficiency in large energy-consuming industries. Additionally, the government promotes cleaner production techniques through the National Cleaner Production Centre.

The Green Rating Project (GRP) by the government and NGOs assesses the environmental performance of industries, encouraging transparency and environmental responsibility. These measures collectively support India's commitment to sustainable industrial development and the reduction of carbon emissions.

As per IEA, 22% of India's emissions are contributed by Industries sector. Further, 92% of these emissions are accounted from Iron & Steel, Cement, Chemicals and Metals industry.

According to BEE, Indian companies (except those in the cement industry) lag behind their global peers in their energy intensity and consume upto 25% higher energy per unit production.

**highlighted in the current Industrial Policy.** While the promotion of sustainable practices is largely dependent on two fronts:

1. Quick Wins by Sustainability initiatives linked incentives for industries in 3 major areas:

- 1.1 Focus on Decarbonization of existing industries
- 1.2 Regulations and Standards for New industries
- 1.3 Promotion of Green Industrial Areas and conversion of existing industrial areas

2. Sustainability Outcome Linked Incentives:
  - 2.1 Green Building Certifications by IGBC/ LEEDs
  - 2.2 Green Operations Certifications by GreenCo Rating System

## 9.1. QUICK WINS BY SUSTAINABILITY INITIATIVES LINKED INCENTIVES

While the green technologies keep improving day-by-day, it is important to adopt them and transition smoothly into a greener future. The initiatives are aimed to focus on decarbonization of existing industries, setting regulations and standards for new industries, and promoting green industrial areas. Some of the common initiatives taken in India and global technological trends include

### Conversion of existing Industrial Areas into Green Industrial Areas by retrofit mechanisms:

Various industrial areas like Ruhr in Germany, Jurong Island in Singapore, Alberta and Ontario in Canada and Teesside Industrial Complex in the UK have taken measures to convert their industrial areas by retrofit mechanisms like water management, energy-efficiency buildings, carbon capture and storage (CCS) technologies. Further, lot of private players especially in low temperature thermal processes are electrifying by retrofitting electric boilers, Heat Pumps, infrared heating, electric steam generation, electric furnaces, and ovens, etc.

### Air Pollution Control Devices:

Some of the companies are using sophisticated wet and dry scrubbers for regulating gaseous emissions. Electrostatic Precipitators (ESP) are also being used to remove pollutants from exhaust gases.

Baghouse Filters, Cyclone Separators, Catalytic Convertors and Activated Carbon Systems are also becoming popular mechanisms to control contaminants from the emissions.

#### ● Incorporation of GreenCo Rating Systems:

GreenCo rating systems has been implemented by various states and acts as a pushing factor for industries to get their baselines conducted and in turn receive LEEDS/IGBC/GRIHA certification. Government of Karnataka will support in the application fees for these certifications and along with KSPCB award of nominal grants to encourage industries getting baselined.

#### ● Restoring of Water Bodies and Water Treatment Plants:

There have been significant success stories on the water restoration programs run by private players (Eg: Mahindra in Zaheerabad, Coca Cola in Ramnagara District restoring Amavasyakere and Thubinkere lakes). As a result, it is critical to provide support to private players in undertaking such programs which help in ensuring water security in challenging and draught prone regions of Karnataka.

#### ● Industrial Symbiosis:

Various industrial areas are being identified to have a waste collection centre to ensure systematic collection of waste and possible conversion of waste into energy. Further, allocation of land will be taking into account the supply chain where waste of an industry in an Industrial area can be used as a raw material for another industry in the same industrial area.

#### ● EV charging stations:

Charging stations are proposed to be built by private players while the Government authorities can provide the land for the Charging stations in the Industrial Areas to facilitate cargo and passenger movement through electric logistics fleet and vehicles.

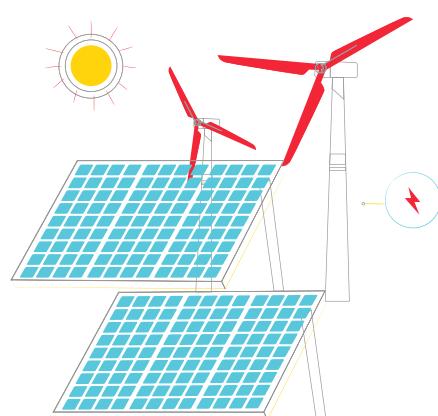
*List of sustainability linked incentives are proposed in the Industrial policy 2025-30 as mentioned in Section 5.6 and the list of equipment / initiatives eligible for the incentives is in Annexure 2.*

Additionally, government will act as a facilitator for companies intending to procure renewable energy from independent power producers.

## 9.2. SUSTAINABILITY OUTCOME LINKED INCENTIVES

There are various agencies like IGBC, GreenCo, LEEDs, etc that conduct assessments of company's building and operational practices and provide ratings on various parameters of sustainability. Further, as the European and US markets move towards greener future and mandating their companies to source from green and sustainable suppliers, companies in India will have to gradually move towards greener practices.

Many companies in the world have their targets of reduction of greenhouse gas emissions as well as sourcing of Renewable Energy by 2030. As a first step it is important for Indian companies to have baseline of their operations and then leverage the support provided in the policy to improve their processes and operations. GreenCo Rating Program has been identified for the assessment of operational processes of the existing industries in Karnataka by KSPCB. Incentives offered GreenCo Rating Program under the Sustainability Linked Incentives are described in Section 5.6



# 10

# LOGISTICS AND WAREHOUSING

## 10.1. INITIATIVES FOR THE SECTOR

This policy covers 5 major initiatives:

1. Fiscal incentives
2. Ease of Doing Business
3. Upskilling and recognizing workforce
4. Technological advancements
5. Sustainability

### 10.1.1. Fiscal incentives

Fiscal incentives are provided as per **Section 5.4**

### 10.1.2. Ease of doing business

Government of Karnataka has accorded "Industry" status to the Logistics and Warehousing vide Government Order CI 242 SPI 2021 dated 21.10.2021. As a result, during change of land use process, companies need to convert the land to Industrial Land Use to develop logistics and warehousing infrastructure. Owing to the "Industry" status, eligibility of Industrial Power Tariff will be applicable instead of Commercial Power Tariff for new and existing logistics and warehousing projects in the State.

### ④ Environmental clearances

- 1. Threshold area for environmental clearance** – In line with the MoEF notification (Office Memorandum vide F. No. 19-131/2019-IA-III [E128798] dated 4 October 2022), the area for EC exemption shall be increased to 1,50,000 sq. mts. For warehouses utilized for storage of raw materials and finished goods of all consumption and industrial products including but not limited to industrial and factory-made products (except hazardous waste).

**2. Proposed change in categorization based on pollution load** – Currently, the logistics and warehousing industry falls under green/orange or red category depending on the amount of air and water pollution generated like any other industry. However, the logistics and warehousing industry has a low pollution footprint. Owing to the minimal air and water pollution generated by this industry, Government of Karnataka is actively considering changing logistics and warehousing industry into the Green category depending on the sewage production, STP setup and DG generator capacities. A separate government order will be passed on the same.

### ④ Development guidelines

- 1. Logistics and warehousing facilities in any land zone** – Setting up of logistics and warehousing facilities would be permitted in any zone namely commercial, industrial and institutional to avoid procedural hassles. If the facility is in less than 10,000 sq. m. of land, the setting up logistics and warehousing facilities would be permitted in agricultural zones for storage of raw materials and finished goods of all consumption and industrial products including but not limited to industrial and factory-made products (except hazardous waste).
- 2. Standardization of ground coverage** – Ground coverage is a crucial factor for logistics and warehousing facilities, as the infrastructure in this industry is predominantly designed for ground floor operations. Presently, the ground coverage regulations for industrial establishments differ from one taluk to another, as they adhere to the zonal regulations specific to each taluk. It is as low as 30% in some taluks while ground coverage for KIADB lands is 65%. Warehousing facilities established anywhere (whether located within KIADB Industrial Areas or otherwise) within the state will be permitted 65% ground coverage.

**3. Standardization of Floor area ratio** – The floor area ratio (FAR) for industrial establishments in different taluks varies due to adherence to zonal regulations. In certain taluks, the FAR can be as low as 0.5. The permissible FAR for warehousing facilities is determined based on factors such as the built-up area and road width. Warehousing facilities established anywhere within the state will be permitted the below FAR.

**Table 28-** Permissible FAR for warehousing facilities

Sl. No	Extent of plot (in sq. m)	Permissible FAR	Minimum Road width (in m)
1	Up to 255	1.50	9.0
2	256 - 510	1.50	9.0
3	511 - 1020	1.75	12.0
4	1021 - 2025	1.75	12.0
5	2026 - 4050	2.00	12.0
6	4051 - 8100	2.00	12.0
7	8101 - 12200	2.25	18.0
8	Above 12201	2.50	18.0

### ⌚ Other provisions

**1. Single window agency** - Karnataka Udyog Mitra (KUM), Department of Industries & Commerce, to act as the single window agency for all NOCs/clearance and approvals for setting up and operating logistics and warehousing facilities in Karnataka, through its online portal. To further enable ease of doing business for warehouses & logistics industry in the State, specific clearances/ NOCs/ Approvals required for this sector will be separately listed and provided on the KUM portal.

**2. 24x7 operations** – Logistics and warehousing facilities will be permitted to operate 24x7. This will be subject to the employer providing shift-wise employee details and specifying weekly holiday for each of the employees.

**3. Provision of a single license combining Shops and Establishment License and Trade License** – Government of Karnataka is actively considering clubbing both the Shops and Establishment License and Trade License for the logistics and warehousing industry. The trade license charges are also being assessed and the government is considering rationalization and standardization of these charges across the state. A separate government order will be passed on the same.

**4. Provision of basic infrastructure** – The state shall provide 24x7 robust power, water and internet connectivity in all registered logistics and warehousing facilities across the state.

### 10.1.3. Upskilling and recognizing workforce

The logistics and warehousing industry faces a significant challenge in terms of the availability of skilled manpower. The current warehousing ecosystem in India is largely unorganized and fragmented, resulting in a scarcity of adequately skilled workforce for efficient warehouse operations.

However, investing in the training of the workforce with optimal warehousing skills can play a crucial role in improving overall efficiency, reducing lead times, and increasing throughput for economic activities as a whole.

Several initiatives the state shall take to upskill the workforce in this sector are:

1. The state shall conduct **industry connect workshops and skill gap studies** to assess the evolving requirements for skilled and semi-skilled manpower in the logistics and warehousing sector. This will include identifying the specific needs for graduates specializing in relevant domains.

2. **Vocational and technical training** courses will be upgraded based on identified skill gaps from industry connect workshops and skill gap studies. These upgrades will be implemented based on recommendations from industry experts to ensure the courses align with the current demands of the logistics and warehousing sector.

3. Targeted courses will be added to Industrial Training Institutes (ITIs) to address skill development in the logistics sector. Training programs will cover areas such as logistics, supply chain management, inventory management, and the use of logistics tools (including crane operations). Collaboration with institutes and industry experts will ensure the delivery of comprehensive training.

4. The Skill Development, Entrepreneurship, and Livelihood Department (SDEL) will facilitate skill development and upskilling programs in partnership with private training partners, as required. These programs will aim to enhance the skills of the workforce in the logistics and warehousing sector.

5. The establishment of driver training institutes under the Ministry of Road Transport and Highway's Institute of Driving Training & Research (IDTR) scheme will be encouraged. Additionally, private sector participation in establishing driver training institutes will also be promoted. Topics such as Road Safety, Financial literacy, and Digital literacy also need to be addressed during these training sessions.

Through these initiatives, the state aims to bridge skill gaps, provide relevant training opportunities, and enhance the overall competency of the workforce in the logistics and warehousing industry.

#### 10.1.4. Technological advancements

Multiple technology interventions have been introduced globally to enhance the utilization of resources and ensure the seamless movement of cargo throughout the supply chain.

Karnataka also aims to promote smart enforcement and use such technology interventions made by various State departments/ agencies to enable safe and smooth logistics in the State.

The state aims to promote the following initiatives:

1. Promote 100% Vahan portal adoption by all RTOs.

2. Promote uploading of E-way bills for each journey of the truck drivers on the Vahan portal prior to the start of the journey.

3. Encourage issuance of Fitness certificates only post mandatory checks for standardized high-security registration plates (HSRP) and NHAI-approved FASTags. Tests for issuance of fitness certificates can be done every quarter and uploaded on the Vahan portal.

4. Promote the installation of Automatic Number Plate Recognition (ANPR) cameras along the state and national highways in a phased manner and link this plate number to the Vahan portal to verify the E-way bill and fitness certificate.

5. Promote installation of weigh-in-motion (WIM) along the highways to prevent stoppage of vehicles at weight bridges, check overloading of freight vehicles, and also check for major pilferages along the journey.

6. Promote the 100% E-Challan adoption by all RTOs

#### 10.1.5. Sustainability

To enhance sustainability and resilience in warehouse design, construction, and operation, the following strategies could be implemented:

1. Implement rainwater harvesting systems in all warehousing facilities with a build-up area exceeding 1,00,000 sq.ft. This practice enables the collection and storage of rainwater, reducing reliance on ground and external water sources and promoting efficient water management.

2. Promote the usage of Electric Vehicles (EVs) for internal and short-distance transportation within logistics facilities and ports. Encouraging the adoption of EVs helps minimize the carbon footprint associated with logistics operations, leading to reduced emissions and improved air quality.

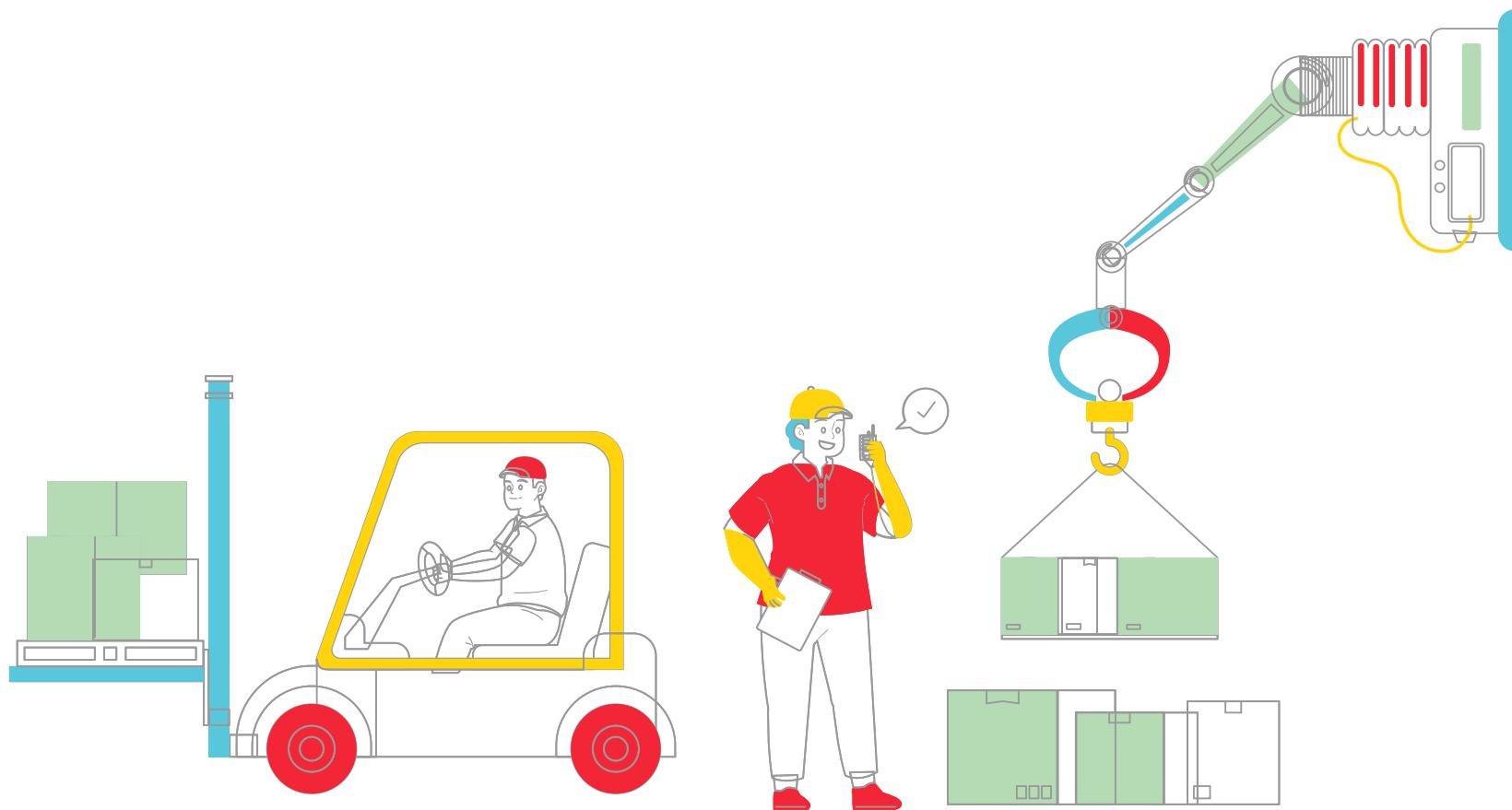
3. Encourage the use of electric forklifts within warehousing facilities. Electric forklifts produce zero emissions, offering a greener alternative to traditional diesel or gasoline-powered forklifts. Promoting their adoption contributes to a cleaner and more sustainable working environment.

4. Encourage the adoption of CNG or other green fuel-powered DG (Diesel Generator) sets in warehousing facilities. Shifting from conventional fossil fuel-based generators to cleaner alternatives helps reduce emissions and mitigate the environmental impact associated with power generation.

5. Provide reimbursement, with a maximum cap of Rs. 5 lakhs per project, for green certifications such as ISO 50001, GRIHA, LEED, and other recognized national and international certifications. This financial incentive motivates warehousing facilities to pursue and achieve sustainability certifications, fostering environmentally responsible practices and enhancing energy efficiency.

6. Promote the transition of e-commerce and delivery companies towards a fleet of electric or green fuel-powered commercial vehicles. Encouraging the adoption of sustainable transportation solutions within these sectors contributes to reducing carbon emissions and promoting environmentally friendly logistics operations.

By implementing these measures, the warehouse industry can significantly contribute to sustainability goals, improve environmental performance, and enhance the overall resilience of logistics and warehousing operations.



# 11

## BRIDGING INNOVATION CONTINUITY

### 11.1. CONTINUING DEVELOPMENT OF STRONG STARTUP ECOSYSTEM

Karnataka has one of the strongest startup ecosystems in India. Particularly, Bengaluru, known as the Silicon Valley of India, has a very rich environment of innovative startups and has become a pivotal hub in India's startup ecosystem. With around 18,000 active startups, Karnataka leads the country in technological advancements and entrepreneurial activities. The state is home to numerous incubators, accelerators and co-working spaces, supporting startups across various sectors such as IT, biotechnology and fin-tech.

Government initiatives like the Karnataka Startup Policy and Elevate 100 have been instrumental in providing financial aid, mentorship, and infrastructure support. The state's robust IT infrastructure, skilled workforce and favorable regulatory environment have attracted significant venture capital investment, amounting to over \$4 billion in 2023 alone.

Furthermore, Karnataka's focus on research and development, exemplified by institutions like the Indian Institute of Science and the numerous tech parks, continues to drive groundbreaking innovations. This dynamic ecosystem not only boosts the state's economy but also positions Karnataka as a global innovation powerhouse. Incorporating these elements into the new Industrial Policy of Karnataka will ensure sustained growth and reinforce the state's leadership in the startup domain.

Regularization of events like VentuRISE will ensure a platform for startups to thrive on the problem statements relevant for big industrial players and bridge the gap between prototype and commercialization of technologies.

Further, the State also conducts VentuRISE, a global startup challenge, to reward and support growth-stage startups in manufacturing sectors. The event provides an opportunity for budding entrepreneurs to showcase their solutions and products before a panel of experts in the field. Grants for ideas to Proof-of-concepts for startups in the sectors of Advanced Manufacturing, Robotics, Sustainability (Climate Change, Circular Economy, Renewable Energy), etc will be facilitated on a case-by-case basis.

### 11.2. ENLARGING R&D BASE OF KARNATAKA

Karnataka is home to almost 40% of India's Global Capability Centres (GCCs). Many of the foreign companies' biggest and largest R&D centers outside their home countries are in Karnataka. Through the Industrial Policy 2025-30, Karnataka plans to leverage the existing R&D ecosystem and provide additional support for existing entities with an R&D facility who are considering Karnataka as a destination for manufacturing investment. Multiple synergies can be leveraged by co-location of R&D and manufacturing facilities as follows:

**Accelerated Innovation Cycle:** Proximity of R&D and manufacturing allows for rapid prototyping, testing, and iteration, speeding up the product development cycle. This synergy enables quick transitions from concept to market-ready products, fostering a more dynamic and responsive innovation ecosystem.

**Enhanced Collaboration:** Co-location facilitates seamless communication and collaboration between R&D teams and manufacturing units. This close interaction helps in quickly identifying and resolving design and production issues, leading to improved product quality and reduced time-to-market.

**Cost Efficiency:** Integrating R&D and manufacturing can lead to significant cost savings through shared resources and infrastructure. This consolidation reduces overheads, transportation costs, and logistical complexities associated with separate locations.

**Knowledge Transfer:** The proximity of R&D and manufacturing teams promotes the exchange of knowledge and expertise. This synergy helps in aligning research objectives with practical manufacturing constraints, leading to more feasible and scalable innovations.

**Supply Chain Optimization:** Co-locating R&D and manufacturing streamlines supply chain operations, reducing lead times and enhancing inventory management. This optimization ensures a more efficient flow of materials and products, contributing to better overall operational efficiency.

**Agility and Flexibility:** The integrated setup allows for greater agility in responding to market changes and customer demands. It enables quick adjustments in production processes based on real-time feedback from R&D, enhancing the ability to customize and adapt products swiftly.

**Talent Attraction and Retention:** A unified R&D and manufacturing environment can attract top talent by offering a comprehensive and collaborative work ecosystem. It provides employees with a holistic view of the innovation and production process, leading to higher job satisfaction and retention rates.

Incorporating these synergy benefits into the new Industrial Policy of Karnataka can significantly enhance the state's competitiveness in attracting both R&D and manufacturing investments, driving sustained economic growth and technological advancement.

Further, the Government of Karnataka proposes to institutionalize a state-of-the-art Semiconductor Research Park. The Research Park will help in creating synergies between existing global companies in Bengaluru with their advanced technology research parks abroad. The notification on the process eligibility for entities to set up a facility in the proposed park will be released in collaboration with IESA and the Department of ITBT.

**Knowledge, Wellbeing and Innovation City** is proposed to be incorporated with collaboration from the private sector to catapult Karnataka's R&D ecosystem and provide facilities for global and domestic companies to be co-located and create sustainable impact by focusing on IP-driven research. The city is planned across 2000 acres with state-of-the-art infrastructure facilities for R&D as well as residential and industrial use cases.

## 11.3. INDUSTRY 5.0

The production landscape is experiencing an unprecedented transformation driven by Industry 5.0 technologies. This new industrial era brings together advancements like 3D printing, artificial intelligence, virtual and augmented reality, the Internet of Things and next-generation robotics. These technologies enable intelligent, flexible and customer-oriented production systems, paving the way for innovative business models.

Industry 5.0 is set to revolutionize the manufacturing sector in Karnataka. A key advantage for Karnataka is its robust IT services industry, home to some of the world's largest IT companies. To harness this potential and accelerate Industry 5.0 adoption, the policy aims to establish a dynamic, competitive and world-class Centre of Excellence (CoE) for Industry 5.0.

The CoE will be developed in collaboration with industry partners, industrial bodies and research and academic institutions, which have the necessary expertise to build and operate the center. The State will act as a facilitator for the establishment of State and Regional Centers.

The Centre of Excellence will focus on training, demonstration, and dissemination of futuristic and advanced manufacturing technologies, including artificial intelligence, virtual and augmented reality, and robotics for data analytics, modeling, simulation, and other related domains. Initially located in Bengaluru, the CoE will expand to Regional Centres across the State in phases, offering entrepreneurs access to emerging technologies with a pay-per-use facility.

As part of the state's commitment to fostering innovation in Industry 5.0, Karnataka will also establish state-sponsored, subsidized hardware-related incubators to support growth in the hardware and manufacturing sectors. These incubators will provide essential infrastructure and reduce costs for early-stage startups, enabling them to access advanced resources and mentorship required for rapid scaling. By offering such facilities, the government aims to accelerate the adoption of cutting-edge technologies, such as AI, robotics, and augmented reality, thereby nurturing a dynamic startup ecosystem alongside established industry players.

Furthermore, the Government will support institutional tie-ups and collaborations to enhance Industry 5.0 capabilities and offerings. This includes promoting training and skill-building programs to explore the latest technology solutions and fostering deep integration of technology platforms with physical systems.

**Table 29- Subsidy for Centre of Excellence on Industry 5.0**

Support	For all categories
Centre of Excellence	Centre of Excellence for Industry 5.0 shall be set up in the State with the help of industry associations, institutes having the requisite capacity, and any leading academic technical institution of the State. The State will provide a grant of INR 100 crore for CoE at Bengaluru and its Regional Centres, subject to the condition that such CoE use only existing building/s and taking up of new construction will not be considered.
Capital Subsidy for supporting Direct Digital Manufacturing	Capital subsidy of 50% is limited to INR 500 lakh per center for the first five units in the State with the help of industry associations/institutes having requisite capacity during the policy period. These common facilities will be housed and managed by industry associations/institutes on a pay-per-use basis & will act as a repository.
Subsidy for Industry 5.0 implementation for MSMEs	Subsidy of up to INR 5 lakh per company to implement Industry 5.0 solutions for 100 companies each year, for overall 500 companies in the State during the policy period.

# 12

# ENSURING INCLUSIVE DEVELOPMENT IN KARNATAKA

Micro, Small, and Medium Enterprises (MSME) become the foundational stone for any region's industrial development.

Furthermore, supporting the improvement of women's participation in the workforce of Karnataka and ensuring strategic cluster development across regions of Karnataka are the key initiatives to ensure inclusive development of the Industrial ecosystem.

## 12.1. MSME BOLSTERING

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Karnataka's economy, driving innovation, employment, and inclusive growth across the state. With over 8.5 lakh MSMEs, Karnataka has a vibrant MSME sector contributing around 30% to the state's GDP and providing employment to over 55 lakh people. MSMEs are best placed to utilize local resources and create local entrepreneurship and employment opportunities. Despite their significant contributions, MSMEs have historically faced challenges such as high cost of funds, poor market linkages, and inadequate exposure to global best practices.

Recognizing their pivotal role, the Karnataka Industrial Policy 2025-2030 places significant emphasis on bolstering the MSME sector through targeted support and incentives. The policy aims to create a robust ecosystem that nurtures the growth of MSMEs by enhancing access to finance, technology, and markets, while also promoting skill development and sustainable practices.

By fostering an environment conducive to MSME development, Karnataka aims to leverage its existing industrial strengths and establish itself as a leader in industrial diversification and inclusive economic progress.

This policy underscores the state's commitment to ensuring that MSMEs remain globally competitive and continue to drive sustainable and equitable development across Karnataka.

Financial Incentives for MSMEs are elaborated on in Section 5.7

### 12.1.1. Establishing MSMEs

To ensure ease of establishing MSMEs, the following interventions are proposed:

#### Affidavit-Based Approval System

The Affidavit-Based Approval System (ABAS) is a testament to Karnataka's commitment to simplifying the process of establishing MSMEs and promoting ease of doing business. Under this system, MSMEs can begin operations by submitting a self-declaration or affidavit certifying their compliance with necessary regulations and standards, eliminating the need for multiple initial approvals, and allowing prompt business activities. The system will be operated by the Department of MSMEs and the officers will be authorized to grant Affidavit Based Approvals to the investors.

This streamlined approach grants MSMEs the flexibility to establish based on the affidavit for a period of 3 years or up to date of commencement of commercial operations, during which they must secure all requisite approvals and clearances from the relevant government departments to continue their operations legally.

## Single Window Clearance System

Karnataka has initiated a single window clearance system that facilitates ease of doing business in the State. Through this streamlined mechanism, entrepreneurs can obtain all necessary approvals and clearances from various government departments via a single online portal, significantly reducing bureaucratic delays and complexities. This system provides a one-stop solution for MSME registration, application submission, document scrutiny, and approval issuance, ensuring a more efficient and transparent process. By simplifying regulatory procedures, the single window clearance system fosters a conducive environment for MSME growth and development in the state.

## Infrastructure support

1. KIADB will earmark a minimum of 30% of allottable land in all their industrial areas for MSMEs. KIADB will reserve 24.1% of the allottable land for SC/ST entrepreneurs, 10% for Minorities / Physically Challenged / Backward Classes (Category 1 and 2A only) / Ex-Servicemen entrepreneurs, and 5% for women belonging to all categories in industrial areas. KIADB will indicate 10% of the allottable land in industrial areas for MSMEs to be allotted by DLSWCC. 40% of the total allottable land for SC/ST entrepreneurs in industrial areas to be allotted by DLSWCC. The maximum extent of land to be allotted by DLSWCC would be two acres per project. The minimum size of the plot to be developed by KIADB will be 0.5 acres for MSMEs..

2. KSSIDC will earmark entire allottable land in their industrial areas for MSMEs. Out of which, KSSIDC will reserve 24.1% for SC/ST entrepreneurs, 10% for Minorities / Physically Challenged / Backward Classes (Category 1 and 2A only) / Ex-Servicemen entrepreneurs, and 5% for women belonging to all categories in industrial estates.

3. KSSIDC will be allotted land in the KIADB industrial area, upon request for making industrial plots and sheds of smaller sizes for the MSME sector.

KIADB shall provide land to KSSIDC on an absolute sale deed as per KIADB norms to enable KSSIDC to allot plots/sheds to the industry on lease-cum-sale deed.

4. KSSIDC shall develop industrial estates exclusively for micro and small enterprises. The area to be procured will not be less than 50 acres. 20% of the allottable area will be reserved preferably for plug-and-play sheds out of which 10% of the area will be earmarked for multi-storied sheds with plug-and-play facilities (wherever feasible) near Bengaluru, Mysuru, Hubballi-Dharwad, Mangaluru, Belagavi, Tumakuru and Kalaburagi. KSSIDC will provide these flats on a lease / rental basis. Liberal FAR would be considered for flatted development/ industrial sheds/multi-storied industrial units.

5. Development of Rural Industrial Areas exclusively for MSMEs in the impact area of industrial corridors will be undertaken along with infrastructure, like road connectivity, drainage system, street lighting, and water supply by KSSIDC. Rural industrial areas and estates will have a minimum of 100 to 150 plots measuring 2,000sq. ft. to 10,000 sq., ft. and will be developed in potential areas.

The above infrastructure support shall be granted in the relevant clusters as developed under this policy on a best-efforts basis.

### **12.1.2. Operating MSMEs**

#### **12.1.2.1. Market Access**

To improve the market linkages of MSMEs in the State, the Department of Industries and Commerce, in collaboration with the industry, will conduct a Vendor Development Conclave as an event allied to the Global Investors Meet, with the first edition of the Vendor Development Conclave to be organized in 2025. This Conclave will act as a platform for MSMEs to learn about buyer requirements (products and volumes) and meet with them to pitch their services. Additionally, it will allow MSMEs to exhibit their products and capabilities. It will also be a platform wherein MSMEs can upskill and gain technical capabilities through sessions and workshops.

In addition to the Vendor Development Conclave, the MSME Department will conduct Vendor Development Events in the State at least on an annual basis to create opportunities for collaboration by bringing MSMEs together with OEMs, large manufacturers, and Public Sector Undertakings. Similar events will be conducted at the district level as well.

#### **12.1.2.2. Public Procurement Support**

1. Goods manufactured by Micro & Small Enterprises located in the State will be allowed a price preference of 15% against the Large & Medium Enterprises / Industries of the State and enterprises/industries of other States during the Government Department's purchases.

2. To enable wider dispersal of enterprises particularly in rural areas, the Government Departments & State-owned PSUs shall procure 358 items from micro and small enterprises, which have been reserved for exclusive purchase from them as per Ministry of MSME, Government of India order S.O. 581 (E), dated 23.03.2012.

3. To reduce the transaction cost of doing business, Micro & Small Enterprises registered with NSIC under a single point vendor registration scheme shall be facilitated by providing them tender sets free of cost, exempting from payment of earnest money during purchases by all Government Departments and State-owned PSUs.

4. KTPP rules will be amended as below to give fillip to Micro & Small Enterprises in Karnataka

4.1 In a tender where the tenderers are both from the State of Karnataka as well as from outside the State of Karnataka, the GST component shall be excluded for the evaluation of the price.

4.2 Preference shall be given to the Micro & Small Enterprises located within the State and registered with the Department of Industries & Commerce in respect of those items for which UAM / Registration Certificate / Udyam Registration are issued.

4.3 Government Departments and State-owned profitable PSUs shall procure 20 percent of goods from Micro and Small Enterprises located within the State. Out of this 4 percent of goods shall be procured from Micro and Small Enterprises promoted by SC/ST entrepreneurs as per the guidelines issued by the Government of India

5. To incorporate the provisions of the Public Procurement (Preference to Make in India), Order 2017 for all enterprises as detailed in order no. P-45021/2/2017/PP(B-II) dated 15.06.2017 and its amendments of Department for Promotion of Industry & Internal Trade (DPIIT), Ministry of Commerce & Industry, Government of India in KTPP Act/Rules.

6. The launch of the Karnataka Public Procurement Portal is indicative of the strong belief in e-Governance initiatives to simplify government operations and infuse the public procurement process with transparency and efficiency. MSMEs may utilize this portal to enhance their ability to participate in the tender process for public procurement and enhance market linkage in this manner.

7. To support MSMEs, periodic matchmaking shall occur wherein buyer needs are collected and shared with vendors, either through a Vendor Development Event, through a dedicated digital platform or web application for MSMEs, or through any other platform as deemed fit by the MSME Department.

#### **12.1.3. Measures to bolster SC/ST-owned MSMEs**

SC/ST entrepreneurs will be encouraged in the establishment of enterprises and capacity building in entrepreneurship.

1. The existing support under the Special Component Plan / Tribal Sub Plan Package includes the following components:

1.1. KIADB and KSSIDC to allot land / shed at 75 percent subsidized cost in all zones. The concessional allotment of land/shed will be available to domicile SC/ST entrepreneurs only subject to a maximum of 2 acres / one shed and subsequent allotments will be at prevailing rates of KIADB / KSSIDC.

All other terms and conditions are as per Government Order No. CI 76 SSI 2019 dated 28/05/2020, 16/02/2021, 30/11/2021, and 20/02/2022.

1.2. 60 percent subsidy limited to INR 5.00 lakh on bank loans availed by SC/ST entrepreneurs through financial institutions/banks/co-operative and rural regional banks (excluding co-operative financial associations) for setting up cottage and micro enterprises for a project cost of up to INR 10.00 lakhs.

1.3. Soft Seed Capital Assistance: Interest-free loan at 50% of promoter's contribution for loan availed at 2:1 debt-equity ratio for project cost up to INR 10.00 crore to establish new/expansion/modernization of micro/small enterprises by SC/ST entrepreneurs, applicable as per the Government Order CI 91 SSI 2019 dated 13/09/2022.

1.4. Free distribution of Khadi Charakas to SC/ST Khadi Workers identified by Karnataka Khadi and Village Industries Board.

1.5. Financial assistance to SC/ST entrepreneurs at 50 percent of the cost of establishment of Private Industrial Estates limited to INR 5.00 crore on a minimum of 10 acres of land.

1.6. Reimbursement of the loan processing fee, legal fee, loan disbursement fee, etc. charged by KSFC and other banks on the loans availed for the first time by SC/ST entrepreneurs to establish Micro and Small Enterprises after 01-04-2017.

1.7. Subsidy on power charges for the first 5 years @ INR 2.00 per unit to SC/ST-owned new Enterprises working from 01-04-2017 onwards.

1.8. Entrepreneurs' awareness and development programs.

2. The following infrastructure support will be provided to SC/ST Entrepreneurs:

2.1. KIADB will reserve 24.1% for SC/ST entrepreneurs out of the entire area in new industrial areas.

2.2. KSSIDC will reserve 24.1% for SC/ST entrepreneurs out of the entire area in new industrial estates.

2.3. State will conduct Entrepreneurship Development Programs exclusively for prospective SC/ST entrepreneurs.

2.4. KSSIDC will construct 'D' and 'C' type sheds in potential reserved assembly constituencies in the State for Micro and Small Enterprises promoted by SC/ST entrepreneurs.

3. Additional fiscal incentives under this policy for the establishment of new enterprises and expansion/diversification/modernization offered to MSMEs promoted by SC/ST entrepreneurs are available in Section 5 under Table 21 and Table 22.

#### **12.1.4. Support to Artisans**

Artisans are skilled individuals embodying Karnataka's rich cultural heritage through a variety of crafts. However, many of these traditional crafts are in decline due to economic and other factors. It is essential to preserve and protect these crafts through targeted interventions. By modifying or redesigning heritage crafts to meet current market demands, we can ensure their preservation and relevance. This sector, predominantly rural-based, holds significant potential. It can sustain existing artisans and attract new entrants into craft activities. This initiative aims to not only safeguard traditional crafts but also to empower artisans and stimulate economic growth in rural areas.

Cultural Villages / Tourist Villages / Cultural Centers will be set up at tourist destinations by the Tourism Department that can provide a platform for artisans.

The following support is proposed to be provided for artisans:

1. Customized free training at NID and NIFT for selected trainers.

2. Educating artisans in modern skills like e-marketing and information & communication technology.
3. Organizing study tours for selected artisans across the country.
4. Providing stall rate concessions at metro stations, airports, bus stands, railway stations, major star hotels and major tourism attractions throughout the State.
5. Hosting an annual national-level haat, offering a platform for artisans to showcase and sell their products.

#### **12.1.5. MSME Excellence Awards**

The Government will confer annual awards to MSMEs for achieving excellence and growth in manufacturing. This initiative aims to recognize and celebrate the outstanding contributions of MSMEs to Karnataka's economy. By honoring their achievements, the Government seeks to encourage innovation, enhance competitiveness, and inspire other enterprises to strive for excellence in their respective fields. These awards will not only provide recognition but also boost the morale of MSMEs, driving them towards greater success and development.

#### **12.1.6. Digital Portal/Website**

To further enhance support for MSMEs, a comprehensive digital portal or website is proposed to be developed as part of the Vendor Development Conclave 2025. This portal will integrate and act as a platform for matchmaking to aid vendor development within the State. By consolidating these features into a single, user-friendly portal, the government aims to provide MSMEs with a powerful tool to navigate their business challenges, access vital information, and capitalize on opportunities for growth and development. This digital initiative will further bolster Karnataka's commitment to fostering a thriving MSME sector.

Key features of the portal include:

1. Details and/or profiles of other registered vendors and buyers;

2. Detailed component/capability requirements of registered buyers;
3. Platforms for MSMEs to connect with potential buyers and partners, including matchmaking services;
4. Details of upcoming and past skilling programs, including registration information and schedules, as well as access to online training modules and resources.

## **12.2. INCREASING WOMEN'S PARTICIPATION IN THE WORKFORCE**

As per the Annual Report of the Ministry of Labour's PLFS survey, Karnataka's female labor participation in the workforce for all age groups is at 30.3% over the national average of 27.8%. This number for the urban areas in Karnataka is 24.8%, thus indicating a significant amount of opportunity for industries to employ women in the labor force. The inclusion of women in Karnataka's workforce is a pivotal component of sustainable economic growth and societal development. Increasing women's participation in the labor market significantly boosts the state's productivity and innovation.

Diverse teams foster a variety of perspectives, leading to more effective problem-solving and decision-making processes. Moreover, women's economic empowerment contributes to poverty reduction and enhances the overall standard of living. By promoting gender equality in employment, Karnataka can tap into a vast pool of talent, driving industrial growth and competitiveness. This inclusivity not only aligns with global development goals but also ensures a more equitable distribution of wealth and resources. Implementing policies that support women's workforce participation, such as flexible working hours, maternity benefits, and safe working environments, will create a more dynamic and resilient economy. Ultimately, fostering gender diversity within industries is not just a social imperative but a strategic advantage for Karnataka's industrial sector.

## 12.3. CLUSTER DEVELOPMENT

The following clusters have been developed in Karnataka which have become successful in attracting the respective ecosystem.

1. Toys Cluster – Koppal
2. FMCG Cluster – Dharwad
3. CDGA Cluster - Dharwad
4. Plastic Cluster – Canara, Mangalore
5. PM MITRA Textiles Park – Kalaburagi

Dedicated cluster development across Karnataka is envisioned to achieve strategic growth across regions and sectors in the state. As per the requirements of the industry as well as the availability of natural resources, clusters are being proposed to be built. The Electronics Manufacturing Cluster (EMC) is proposed in the Bengaluru Rural in collaboration with the Government of India apart from existing EMC in Mysuru and Hubballi-Dharwad.

As one of the strategic sectors for Karnataka, EV clusters are proposed in the following locations. These clusters will provide ready-to-occupy land parcels, ready-built factories, testing labs, proving grounds, and homologation facilities.

**Gauribidanur, Chikkaballapur** – This cluster encompasses ~825 acres of acquired land. It is situated 70 kilometers away from Bengaluru and 90 kilometers from Hoskote, a prominent auto cluster housing renowned manufacturers such as Honda and Volvo.

**Chikkamalligewada, Dharwad-** The second cluster spans around 1000 acres of land. It is conveniently positioned 30 kilometers from Hubballi Airport and 26 kilometers from the Hubli-Dharwad cluster.

**Harohalli, Ramanagara** – The third cluster spans around 700 acres of land. It is 40 kilometers from Bengaluru and ~20 kilometers from the Bidadi auto cluster housing Toyota.

**Bengaluru Rural** – A dedicated Pharmaceutical cluster with state-of-the-art infrastructure and common facilities such as CETP, etc. is proposed near Bengaluru

**Bellary** – A dedicated cluster for steel processing and manufacturing units is proposed in the district of Bellary

Also, specifically in the northern regions of Karnataka, the following clusters are proposed:

**Table 30- Proposed Clusters in North Karnataka**

<b>Districts</b>	<b>Clusters</b>
Vijayapura	Food Processing, Renewable and Solar Cells
Hubballi & Dharawad	EMC, Consumer Durables & Goods Appliances and FMCG
Gulbarga	Textiles and Food Processing
Yadgir	Pharmaceuticals
Chitradurga	Pharmaceuticals



# 13

## GOVERNANCE MECHANISM

### 13.1. POLICY MONITORING

Revamping of the Single Window System will also be facilitated by the formation of committees to monitor the applications and the progress of each application.

1. A High-level Monitoring Committee chaired by the Chief Secretary will be established with a cadence of quarterly reviews to check on the status of applications by using the dashboards created in the Single Window System with the members of the committee being the heads of the department.
2. An inter-departmental working committee reporting to the High-Level Monitoring Committee will conduct monthly working sessions with Nodal officers from each department to process respective investment applications on the Karnataka Udyog Mitra portal.
3. A State Level Co-ordination Committee chaired by the Additional Chief Secretary/ Principle Secretary of the Department of Commerce and Industries is empowered to add/delete service activities listed in Annexure-4 and make changes necessary for the implementation of the policy. The decisions made by this Committee would be final in case of any ambiguities during the implementation of this policy.

Also, targeted nodal officers from respective Government Authority – Karnataka Udyog Mitra will be allocated to every investor for an end-to-end investment journey to escalate pending issues of investors.

### 13.2. POLICY EXECUTION

The policy will be executed by the Department of Industries and Commerce along with the relevant collaboration of other departments and authorities of the Government of Karnataka.

The State Government reserves the right to review or modify the Policy as and when needed in the public interest. However, Forms released as part of the Policy may be modified, changed, added or deleted as and when needed for the sake of convenience in the implementation of the Policy.

The Government may revise the Policy, in full or in part, prospectively or retrospectively, to keep harmony with the provisions of the State Goods and Services Tax Act and Rules made there under.

Separate operative guidelines for administration of these incentives and concessions will be issued for guidance to the concerned agencies and officers with the approval of the State Level Co-ordination Committee.

# ANNEXURES

## ANNEXURE 1: DEFINITIONS

1. As per the MSMED Act, 2006, MSMEs have been defined as follows:

**1.1. Micro Enterprises-** Investment in Plant and Machinery or Equipment does not exceed INR 1 crore and turnover does not exceed INR 5 crore.

**1.2. Small Enterprises-** Investment in Plant and Machinery or Equipment does not exceed INR 10 crore and turnover does not exceed INR 50 crore.

**1.3. Medium Enterprises –** Investment in Plant and Machinery or Equipment does not exceed INR 50 crore and turnover does not exceed INR 250 crore.

For the calculation purpose of incentives for MSMEs, the following definitions will be used irrespective of the definitions under the MSMED Act or future Government of India Guidelines.

Category	Criteria
Micro	Investment in Plant and Machinery or Equipment < INR 1 Crore
Small	Investment in Plant and Machinery or Equipment between INR 1 Crore to INR 10 Crore
Medium	Investment in Plant and Machinery or Equipment between INR 10 Crore to INR 50 Crore

**2. Large Enterprise:** An Industrial Unit that is not classified as a Medium Enterprise and with an investment in fixed assets up to INR 300 crore shall be classified as a large-scale enterprise.

**3. Mega Enterprise:** Projects with an investment in fixed assets above INR 300 crore and up to INR 1000 crore

**4. Ultra-Mega Enterprise:** Projects with an investment in fixed assets above INR 1000 crore

**5. New Project:** New projects shall mean units that undertake to invest in fixed assets on or after the announcement of this Policy. This will include the units that have taken effective steps on or before the announcement of this Policy and could not fulfill the conditions stipulated for qualifying as pipeline units under Industrial Policy 2020-2025.

**6. Exporter:** means a unit/enterprise that exports more than 50% of its production and holds an IEC (Importer Exporter Code) number, unless otherwise specifically exempted.

**7. IEC (Importer Exporter Code) number:** is a 10-digit code number given to an exporter or importer by the regional office of the Director-General of Foreign Trade (DGFT), Ministry of Commerce and Industry, Government of India.

**8. 100% Export Oriented Enterprises:** A 100% export-oriented enterprise is an industrial enterprise offering to export its entire production, excluding the permitted levels by the Government of India from time to time of domestic tariff area sales for the manufacture of goods, including repair, remaking, reconditioning, re-engineering and rendering of services. Such Enterprises may be set up either under the Export Oriented Enterprises or under the EPIP [Export Promotion Industrial Park] Scheme under the EHTP [Electronic Hardware Technology Park] Scheme or Software Technology Park Scheme or Special Economic Zone.

**9. Value of Fixed Assets (VFA):** Value of Fixed Assets shall mean the total investment made on land, building and plant & machinery including R&D equipment and such other productive assets like tools, jigs & fixtures, dyes, utilities like boilers, compressors, DG Sets, cranes, material handling equipment and such other equipment directly related to production purposes. It also includes installation of plant and machinery (erection charges), electrical items including electrical wiring.

**10. Special Category Units:** Units established exclusively by an SC / ST, Women, Minorities, Physically Challenged & Ex-Servicemen Entrepreneurs as a proprietary concern or all the partners or directors of the partnership firm / Co-operative Society/Private limited companies or any other legal entity belonging to above-mentioned categories respectively.

**11. Employment:** Direct Employment shall mean employees who are on the rolls of the respective companies which will include contract labours engaged in production line. It will, however, not include casual labours. The percentage of contract labours engaged should not exceed 40% of total labour force.

**12. Date of Commercial Production:** Date of issue of first sale invoice after trial production either by a new unit or after expansion / diversification / modernization.

**13. Expansion / Diversification / Modernization:** The existing enterprise must invest additional new capital to the tune of at least 25% of the fixed assets in the Expansion / Diversification / Modernization program. The quantum of turnover under Expansion / Diversification / Modernization program eligible for base subsidy is the incremental increase in the turnover over and above the average turnover during the immediate 3 years before the commencement of the commercial production in the Expansion / Diversification / Modernization program.

**14. Turnover:** The aggregate value of the realisation of amount made from the sale of manufactured goods by the company / enterprise during a financial year. Income from other sources (non-operating activities) like interest received, grants or subsidies, trading activity, resale of products / goods will not be counted under turnover.

**15. Cold storage:** A facility developed in at least 10,000 sq.ft. of storage area in the state with a minimum investment of Rs.1.5 crores providing services such as storage and minimal processing of perishable/ temperature sensitive cargo such as agriculture, horticulture, dairy, fish & marine, poultry & meat products, pharma, etc. with a linkage from source to the consumer.

**16. Truck terminal:** A facility developed in at least 5 acres of land in the state with a minimum investment of Rs.7.5 crores providing services such as repair and maintenance of the trucks, stores for spare parts, ATMs, fuel stations, parking spaces, transport offices, sanitary facilities, lodging facilities for drivers and helpers, weighbridges, etc. These facilities are developed to ease traffic congestion in strategic locations such as the district logistics nodes, industrial areas, national/ state highways, and expressways intersection points.

**17. Warehouse inside industrial area:** A facility developed in at least 20,000 sq.ft. of storage area in the state with a minimum investment of Rs. 3 crores providing a place for storage and/or accumulation of goods under controlled conditions and equipped for providing handling, transportation as well as value-added services such as sorting, grading, packaging etc.

**18. Warehouse outside industrial area:** A facility developed in at least 70,000 sq.ft. of storage area in the state with a minimum investment of Rs. 10 crores providing a place for storage and/or accumulation of goods under controlled conditions and equipped for providing handling, transportation as well as value-added services such as sorting, grading, packaging etc.

**19. Large Logistics Parks:** A facility developed on at least 20 acres of land in the state with a minimum investment of Rs. 100 crores providing a place for storage and/or accumulation of goods under controlled conditions and equipped for providing handling, transportation as well as value-added services such as sorting, grading, packaging, etc.

**20. Mega Logistics park:** A facility developed in at least 100 acres of land in the state with a minimum investment of Rs.350 crores providing services such as cargo aggregation/ segregation, distribution, inter-modal transfer of cargo and containers, open and/ or closed storage, temperature controlled and/ or ambient storage, material handling equipment, parking, value-added services, and other related facilities as per requirement for efficient movement and distribution of semi-finished or finished products. Logistics parks shall be equipped with supporting infrastructure including internal roads, communication facilities, open and green spaces, water pipelines, sewage and drainage lines, power lines, feeders, and other facilities as per the requirements of the park.

## **ANNEXURE 2:**

List of initiatives eligible for sustainability-linked incentives:

For all green solution areas defined below, the State reserves the right to add or exclude specific activities within any area, sector, or product from time to time as deemed fit.

**(a) Environmental Infrastructure Facilities:**

1. Effluent Treatment Plant, Common Effluent Treatment Plant, Waste Management Projects & Industrial Hazardous Waste Disposal Projects
2. Establishing "Reuse and Recycling of Industrial Waste, electronic waste & plastic waste Plant"
3. Augmentation and technology upgradation of existing ETPs & CETPs
4. Common spray dryer, common multiple effect evaporator
5. Common Boiler Project by SPV
6. Implementation of cleaner production technology in place of existing processes such as substitution & optimization of raw material, reduction in water consumption or energy consumption, or waste generation
7. For environment management projects with the use of clean, Efficient, and Innovative Pollution Control Equipment
8. Installation of online Continuous Stack Emission Monitoring Systems (CEMS)
9. Setting Up of Environment Management System including setting up of Environment Management Laboratory
10. Purchase of new equipment/system related to safety, occupational health, or for environment compliances for the common use of enterprise located in the cluster
11. Development of Green Estate & Green Buildings (defined as per Indian Green Building Council Definitions) for set up/ relocation/retrofitting of existing polluting industrial units into Green Industrial Estates.
12. Green Buildings which obtain green rating under the Indian Green Building Council (IGBC/LEED Certification)
13. Cost for preparation of site master plan for relocation and retrofitting of existing pollution industrial units into Green Industrial Estates.

**(b) "Zero Defect and Zero Effect (ZED) Rating"** means Zero Defect and Zero Effect rating or certification or approval granted by the Quality Council of India (QCI) under the ZED certification Policy of the Government of India.

**(c) "Zero Liquid Discharge Based Treatment Plant"** means an effluent treatment plant in which the effluent water is either used or fully evaporated and no effluent is discharged out of factory premises, as certified by the Karnataka State Pollution Control Board.

**(d) Water Conservation Solutions**

1. Wastewater treatment and recycling systems using technologies such as Activated Sludge Process (ASP), Membrane Bio-Reactors (MBR), Reverse Osmosis (RO), etc. to increase supply and use of treated water.
2. Smart Solutions/IoT for Water and Wastewater to reduce dependency on manpower and enhance business continuity and remote operations using smart meters/ pumps/ sensors, data analytics, and cloud solutions.
3. Adopting rainwater harvesting, restoring water bodies by de-silting defunct water bodies within the premises
4. Zero Liquid Discharge Solutions

**(e) Energy Efficiency Solutions:** Industries falling under the Karnataka Green Rating system - by meeting the eligibility criteria defined in the Green Rating of Industries in Karnataka State Pollution Control Board – CII GBC GreenCo Rating System.

Further, in core manufacturing sectors like Steel and Cement, new investments will get benefits for installing mechanized rake-based material collection systems for raw materials.

**(f) Air Quality/Emission Reduction** measures will be applicable for those green interventions which the State Authority (KSPCB) deems fit

**(g) Electrification of Low-Temperature thermal** processes includes Li-ion Battery Energy Storage systems replacing traditional diesel generator power backups, as well as heat technologies like electric heat pumps, induction heating, electric resistance heating, microwave heating, electric boilers, electrically heated dryers

**(h) Construction of EV Charging stations** in KIADB Industrial Areas in allocated areas

## **ANNEXURE 3:**

### **Terms and conditions for Incentives and Concessions under Industrial Policy 2025-30**

(a). The Industrial Policy 2025-30 will come into force from the date of issue of enabling Government Order and will be valid for a period of five years or till a new policy is announced. Once the new Industrial Policy 2025-30 comes into operation the Industrial Policy 2020-25 stands withdrawn. However, Enterprises which have been sanctioned and have partly availed incentives and concessions under earlier policies shall continue to enjoy those benefits as per respective sanction orders.

(b) The applicability of the Industrial Policy 2020-25 or Industrial Policy 2025-30 for the Projects which are under implementation (pipeline projects) at the time of announcement of Industrial Policy 2025-30 is decided as follows:

1. Projects/Enterprises cleared through District-level, State Level, and State High-Level Clearance Committees during the 2020-25 Policy period and if they have availed any of the incentives and concessions for the project as per the 2020-25 policy are eligible to avail of other incentives and concessions under 2020-25 policy only.

2. If any enterprise has taken all the following effective steps before the date of issue of Government Order of the new industrial policy 2025-30, then the unit shall avail incentives as per policy 2020-25 only.

2.1. Date of entering lease or sale agreement of the premises (either land or building)

2.2. Date on which possession certificate of the plot or shed is taken from KIADB/KSSIDC or any other agency

2.3. Date of approval of building plan by the competent authority

2.4. Date of release of the first installment of loan from Financial Institution /Bank

2.5. Date of placement of first purchase order for plant and machinery

2.3. If any enterprise has not taken above all effective steps and not availed any incentives and concessions during the 2020-25 policy period, they shall avail incentives as per the Industrial Policy 2025-30 only.

(c) Incentives and concessions under this policy will be available to all new and additional investments made during the policy period for the establishment of new enterprises and expansion/diversification/modernization.

(d) Incentives and concessions under this policy shall primarily be available only for Manufacturing Enterprises / Industries and specified categories of service enterprises as listed in Annexure 4.

(e) Stamp duty exemption and exemption on tax on electricity tariff as per the 2025-30 Policy will come into effect only after the issue of enabling notifications by Revenue & Energy Departments respectively.

(f) Irrespective of the location / industrial activities, enterprises as listed in Annexure 5 will not be eligible for any incentives and concessions. However, considering their contribution to the environment, the eligible subsidy will be extended to new investments made in establishing ETPs.

(g) Enterprises can avail incentives and concessions under any one policy of the State. i.e., Enterprises availing incentives and concessions under Industrial Policy 2025-30 will not have a choice to avail partly in the Industrial Policy 2025-30 and partly in any other Policy of the State in force and vice-versa, unless otherwise specified by the Government. Enterprises eligible for sectoral policies of ESDM, A&D, and Clean Mobility (EV Policy) are eligible to apply for Industrial Policy 2025-30. The entity will be able to claim benefits under a single policy either Industrial Policy 2025-30 or sectoral policy.

(h) Eligible MSMEs shall commence commercial production within 3 years from the date of approval from the DLSWCC/SLSWCC.

Any enterprise that has not taken approval from the DLSWCC/SLSWCC for their project for any reason shall commence commercial production within 3 years from the date of taking possession of land/building or taking building plan approval.

(i) Eligible MSMEs shall apply for sanction of Capital Subsidy or Base Subsidy (Capital Subsidy or Production Linked Incentives) within one year from the date of commencement of commercial production. Large and above categories can claim capital/PLI incentives within 3 years from the date of commencement of commercial production.

(j) Commerce and Industries Department will prescribe a standard format for a certificate to be issued by Financial Institutions / Commercial Banks / chartered accountants keeping in view the definition of fixed assets, intangible assets, and the assets not eligible for sanction of incentives and concessions.

(k) While calculating the value of eligible fixed assets created during the expansion/diversification/modernization of an enterprise only additional new investments shall be considered.

(l) The choice of Base Subsidy between Capital Expenditure Subsidy and Production Linked Incentives subsidy will have to be notified to the Government of Karnataka and will remain constant for the approved investment. The choice would have to be made while filing for subsidy. The exact procedure would be detailed in the Operative Guidelines of this policy.

(m) Disbursement of Capital Expenditure Subsidy will commence after commercial production and will be disbursed in 5 annual installments until the actual investment amount by SHLCC/SLSWCC for Large and above Industries.

(n) Disbursement of Capital Expenditure Subsidy will commence after commercial production and will be disbursed in 4 annual installments until the actual investment amount by SLSWCC for Medium Industries.

(o) Micro, Small, and Medium Enterprises (MSME) have been classified based on investment in plant & machinery or equipment & turnover as per the MSMED Act, 2006.

(p) The incentives and concessions under this policy will reckon these definitions of MSME and shall automatically stand revised to the revision made by the Government of India from time to time and eligible incentives and concessions will be as per the new definition from the date of change in the definitions, subject to enabling orders issued by the State Government.

(q) Medium Enterprises Incentives

1. Base Subsidy on a specified percentage of turn over will be provided based on the location and investments made for a fixed period or Value of Fixed Assets. Eligible enterprises shall have to obtain a separate registration under the GST Act for manufacturing eligible products only & only this turnover will be considered for Capital subsidy or Base Subsidy.
2. The eligible enterprise shall not carry out any trading activity or provision of any services not relating to eligible products from its place of business.
3. The eligible unit shall have to obtain a separate registration if the unit carries out trading activity or provision of any services not relating to eligible products. If carried out, this turn over will not be eligible for availing Capital Subsidy or Base subsidy.
4. Resale of products/goods by the eligible unit will not be considered for turnover incentives.
5. If the eligible enterprise is already manufacturing the same production one or more existing industrial enterprises in Karnataka, then the turnover of all such existing industrial units of the same products for five consecutive years commencing from the year from which the industrial undertaking avails incentives under this policy shall not be lower than the average turnover of the same product in the immediately preceding three financial years from the year the industrial undertaking avails incentives under this policy.
6. Incentives will be provided only to new investments.

7. For enterprises undertaking only job work, combination of job work and manufacturing, enterprises under composite tax scheme & Enterprises engaged in manufacturing/job work of zero GST products, eligible service enterprises, only Capital Subsidy is applicable. The mode of computation / availment of Capital subsidy will be detailed in the operative guidelines.

(r) Further for an industrial enterprise that is not classified as Micro, Small, or Medium Enterprise, the State Government has defined it as a Large Enterprise, Mega Enterprise, or Ultra-Mega Enterprise, based on the investment.

(s) The incentives and concessions under this policy will reckon these definitions of Large Enterprise, Mega Enterprise, and Ultra-Mega Enterprise and shall automatically stand revised to the revision made by the State Government from time to time and eligible incentives and concessions will be as per the new definition from the respective date of change in the definitions.

(t) Turnover Related Incentives (PLI) for Large Enterprise, Mega Enterprise, Ultra-Mega Enterprise:

1. Base Subsidy on a specified percentage of turnover will be provided based on the location for a fixed period or value of the fixed assets as specified in Table 6.
2. Eligible enterprises shall have to obtain a separate registration under the GST Act for manufacturing of eligible products only & only this turnover will be considered for Base Subsidy.
3. The eligible enterprise shall not carry out any trading activity or provision of any services not relating to eligible products from its place of business. The eligible unit shall have to obtain a separate registration if the unit carries out a trading activity or provision of any services not relating to eligible products. If carried out, this turnover will not be eligible for Base Subsidy.
4. Resale of products/goods by the eligible enterprise will not be considered for turnover incentives.

5. If the eligible enterprise is already manufacturing the same product in one or more existing industrial enterprises in Karnataka, then the turnover of all such existing industrial enterprises of the same products for five consecutive years commencing from the year from which the industrial undertaking avails incentives under this policy shall not be lower than the average turnover of the same product in the immediately preceding three financial years from the year the industrial undertaking avails incentives under this policy.

6. Incentives will be provided only to the new investments. The investment made within a period of a maximum of five years from the commencement of the project implementation will be considered to determine the quantum of VFA. If any ambiguity or clarification is required for computing turnover, the same will be clarified by the State Level Co-ordination Committee and its decision shall be final.

(u) For Ultra-Mega Enterprise where SHLCC approves investments to be made in phases, the turnover-related incentive will commence from the date of commencement of commercial production in the first phase and these incentives will be proportionate to the investments in the first phase and will automatically graduate to the next level depending on the actual investments made.

(v) Employment Criteria for enterprises availing incentives and concessions under Industrial Policy 2025-30 are as follows:

1. All new industrial investment projects shall create the maximum possible direct employment opportunities with a minimum employment of 70% to Kannadigas on an overall basis and 100% in the case of Group D employees.

2. District Industries Centres will monitor the compliance of employment to Kannadigas for a period of initial 5 years. Failure of the industries to employ Kannadigas as stipulated above will be reported to the concerned DLSWCC/ SLSWCC/ SHLCC which may recommend for recovery of incentives and concessions sanctioned to the unit.

3. Enterprises requiring lower employment / enterprises which are unable to provide employment proportionate to investment as stipulated will have a lower Capital Expenditure Subsidy / PLI in proportion to the total employment provided.

(w) Enterprises shall comply with the Corporate Social Responsibility (CSR) obligations as per Section 135 of the Companies Act 2013

(x) Investments made by any existing/new unit/entrepreneur/partnership firm/companies etc on land, building, plant & machinery acquired from any financial institution/ bank under Sec 29 of SFCs Act, SARFAESI Act, Debt Recovery Tribunal, or any of the acts or any tribunal, etc, are not eligible to avail incentives and concessions under this policy. However, any new investment made for expansion/diversification/modernization by such units, eligible incentives, and concessions will be available as per this policy.

(y) Quantum of Incentive for Expansion/ Diversification / Modernization: To be eligible for incentives under an expansion/diversification/modernization program, the Enterprise must invest additional new capital to the tune of atleast 25% of the fixed assets in the expansion/diversification/modernization program. The quantum of turnover under the expansion/diversification/modernization program eligible for Base subsidy is the incremental increase in the turnover over and above the average turnover during the immediate 3 years before the commencement of the commercial production in the expansion/diversification/modernization program.

(z) While calculating the Base subsidy as a percentage of turnover for expansion/diversification/modernization of enterprises, only the new investment made for expansion/diversification/modernization shall be taken to arrive at the Value of Fixed Assets (VFA).

## **ANNEXURE 4:**

List of Service Enterprises Eligible for Package of incentives and concessions under Industrial Policy 2025-30

*Applicable to projects approved by DLSWCC / SLSWCC / SHLCC (Except Micro and Small Enterprises).*

1. Powder coating / Chrome plating / Industrial Electroplating/Painting Enterprises, Industrial paintings engaged in job work
2. Weigh bridges set up within the KIADB / KSSIDC industrial areas/estates
3. Material / Product Testing Laboratory
4. Off-set printing, digital printing (excluding digital photo printing, flex printing).
5. Common Effluent Treatment Plant
6. Industrial Hazardous waste management facility
7. General Engineering, Fabrication
8. Flour Mill and Rice Hulling
9. Food and agro-based industries
10. Vehicle Scrapping units with at least an investment of INR 10Cr
11. Dismantling and recycling of batteries
12. Bottling of Liquid Oxygen
13. Plastic, Electronic Waste and Biomedical Waste Recycling
14. Waste to energy generation facilities
15. Healthcare Facilities in the KIADB/KSSIDC Area excluding Base Subsidy or Capital Subsidy
16. Electrolyzer manufacturing
17. Iron ore beneficiation plants
18. Green Hydrogen, Green Ammonia and Green Methanol manufacturing
19. Solar cells manufacturing – standalone and with modules
20. Li-ion cell manufacturing

## **ANNEXURE 5:**

List of Industrial Activities / Enterprises Not Eligible for Incentives and Concessions

1. Breweries & Distilleries of all types for human consumption alcohol excluding winery and ethanol plants established as integral part of fuel manufacturing process
2. Khandasari and Jaggery making enterprises not certified by FSSAI with investment less than INR 1Cr
3. Photo Studios & Colour Processing and instant photo printing Enterprises
4. Photocopying / Xerox Machines / Fax Machines / Data Entry / Data Recovery enterprises.
5. Fertilizer mixing Units
6. All types of Sawmills excluding manufacture of particle board/Low-Density Fiber Board (LDF)/ Medium Density Fiberboards (MDF)/High-Density Fiberboards (HDF).
7. Beedies / Cigarettes / Cigars / Gutka & Tobacco based products manufacturing enterprises.
8. Azoic / Reactive Dyes manufacturing enterprises.
9. Firecracker manufacturing enterprises.
10. Industries manufacturing Ozone-depleting substances.
11. Laundries including Power Laundries.
12. Brick-making Enterprises excluding Hydraulic press, Cement Hollow / Solid Blocks, Wire Cut, Fly AshBricks, and Refractory Bricks.
13. Poultry including hatcheries.
14. Popcorn Manufacturing.
15. Coffee roasting and grinding units having installed capacity of less than 2MT a day.
16. Clock and Watch / Mobile / Computer and Hardware equipment repair enterprises.
17. Cassette recording [Audio & Video] enterprises.
18. Cyanide Manufacturing enterprises.
19. Mining activity.
20. Lime kiln / burnt lime units.
21. X-ray clinics, clinical/pathological laboratories, and scanning, and MRI testing enterprises.
22. All industries of mobile nature like rigs, concrete/tar mixing plants/hot-mix plants including site-oriented plants/industries.
23. Units engaged in the manufacture of Chrysolite Asbestos (White Crystal).
24. All types of Saloon / Spas / Massage Centres etc.
25. All types of hotels/restaurants/resorts/amusement parks etc.
26. Vermi compost
27. Roof-top solar power generation
28. Bottling of LPG and other gases
29. Aggregators /supply chain business Enterprises related to/supporting bio-fuel manufacturing units

Considering the contribution to the environment, the eligible subsidy will be extended to new investments made in establishing ETPs.

## ANNEXURE 6: ZONAL CLASSIFICATION

To create a strong industrial base with equitable allocation of funds and for the overall development of the State, the taluks are grouped based on backwardness in industrial development. The classification of taluks is as follows:

Table 30- Sustainability Outcome Linked Incentives in INR basis KSPCB-CII Green Co Rating Program

Sl. No.	Districts	Total No. of Talukas	Zone 1	Zone 2	Zone 3
1	Bengaluru (U)	5			Anekal
					Bengaluru (N)
					Bengaluru (S)
					Yelahanka
					Bengaluru (E)
2	Bengaluru (R)	4			Devanahalli
					Doddaballapura
					Hoskote
					Nelamangala
3	Bengaluru (S) (Ramanagara)	5	Magadi	Harohalli	
			Channapatna	Ramanagara	
			Kanakapura		
4	Chitradurga	6	Holalkere	Chitradurga	
			Hiriyur	Challakere	
			Hosadurga		
			Molkalmuru		
5	Davanagere	6	Channagiri	Davanagere	
			Jagalur	Harihar	
			Honnali		
			Nyamati		
6	Chikkaballapura	8	Gudibande	Chintamani	
			Bagepalli	Gowribidanur	
			Chickaballapura		
			Siddlaghatta		
			Manchenahalli		
7	Kolar	6	Cheluru		
			Srinivasapura	Kolar	
			Bangarpet	Malur	
			KGF		
8	Shivamogga	7	Mulbagal		
			Soraba	Shivamogga	
			Sagar	Bhadravathi	
			Hosanagara		
			Shikaripura		
			Thirthahalli		

Sl. No.	Districts	Total No. of Talukas	Zone 1	Zone 2	Zone 3
9	Tumakuru	10	Madhugiri Turuvekere Koratagere Gubbi Pavagada Chikkanayakanahalli	Tumakur Kunigal Sira Tiptur	
10	Chamarajanagar	5	Yelandur Gundlupet Hanur Chamarajanagar Kollegal		
11	Chikkamagaluru	9	Mudigere Shringeri Koppa Tarikere Ajjampur N R Pura Kalasa	Kadur Chikkamagaluru	
12	Dakshina Kannada	9	Belthangadi Puttur Sulya Ullal Mulki Kadaba	Bantwal Moodbidri Mangaluru	
13	Hassan	8	Arakalgud Belur Alur H N Pura Sakleshpura	Hassan Arasikere C R Patna	
14	Kodagu	5	Madikeri Somwarpet Virajpet Ponnampete Kushalnagar		
15	Mandya	7	Pandavapura Nagamangala Malavalli K R Pet	Srirangapatna Mandya Maddur	

Sl. No.	Districts	Total No. of Talukas	Zone 1	Zone 2	Zone 3
16	Mysuru	9	K R Nagar	Nanjangud	
			Hunsur	Mysuru	
			T Narisipura		
			Periyapatna		
			H D Kote		
			Saligrama		
			Saraguru		
			Baindur	Karkala	
			Kapu	Udupi	
17	Udupi	7	Hebri	Kundapura	
			Bhramhavara		
			Bilagi		
			Badami		
18	Bagalkote	10	Mudhol		
			Jamkhandi		
			Hunagund		
			Guledgudda		
			Rabakavi-Banahatti		
			Terdal		
			Ilkal		
			Bagalkote		
			Bailhongal		
			Belagavi		
19	Belagavi	15	Soundathi		
			Chikkodi		
			Raibag		
			Khanapur		
			Ramdurg		
			Hukkeri		
			Athani		
			Gokak		
			Nippanni		
			Kagavada		
			Mudalgi		
			Yaragatti		
			---		

Sl. No.	Districts	Total No. of Talukas	Zone 1	Zone 2	Zone 3
20	Vijayapura	13	Sindgi Indi Muddebihal B Bagewadi Alamela Babaleshwar Nidagundi Vijayapura Tikota Chedachana Kolhar Devarahipparagi Talikote		
21	Dharwad	8	Navalgund Dharwada Hubballi (U) Hubballi (R) Kalghatagi Kundaghol Annigeri Alnavar		
22	Gadag	7	Mundargi Nargund Ron Shirahatti Gajendragad Lakshmeshwar Gadag		
23	Haveri	8	Savanur Shiggaon Hirekerur Hanagal Ranebennur Byadagi Rattihalli Haveri		

Sl. No.	Districts	Total No. of Talukas	Zone 1	Zone 2	Zone 3
24	Uttara Kannada	12	Honnavar Sirsi Mundagod Yellapura Siddapura Haliyal Joida Bhatkal Ankola Kumta Dandeli Karwar		
25	Ballari	5	Sandur Ballari Siraguppa Kurugodu Kampli		
26	Bidar	8	Bhalki Bidar Humnabad Basava Kalyana Aurad Chitaguppa Hulusur Kamala Nagar		
27	Kalaburagi	11	Afzalpur Kalaburagi Aland Jewargi Sedam Chittapur Chincholi Kalagi Kamalapur Yedrami Shahabad		

Sl. No.	Districts	Total No. of Talukas	Zone 1	Zone 2	Zone 3
28	Yadgiri	6	Yadgiri Shahapur Shorapur Hunasagi Vadagera Gurumitkal		
29	Koppal	7	Kushtagi Yelburga Gangavathi Kukkunur Karatagi Kanakagiri Koppal		
30	Raichur	8	Sindhanur Raichur Manvi Arakera Lingasugur Devadurga Maski Siravara		
31	Vijayanagara	6	H B Halli Hospete Hadagali Kudligi Kottur Harappanahalli		
<b>Total</b>		<b>240</b>	<b>199</b>	<b>32</b>	<b>9</b>

## ANNEXURE 7: ABBREVIATIONS

#	Abbreviation	Full Form
1	ADR	Adverse Drug Reaction Reporting Centres
2	BEE	Bureau of Energy Efficiency
3	BESCOM	Bengaluru Electricity Supply Company Ltd
4	BIS	Bureau of Indian Standards
5	CAF	Common Application Form
6	CCC	China Compulsory Certificate
7	CNC	Conventional & Computerized Numerically Controlled
8	CSR	Corporate Social Responsibility
9	DGFT	Directorate General of Foreign Trade
10	DIC	District Industries Centre
11	DLSWCC	District Level Single Window Clearance Committee
12	DPIIT	Department for Promotion of Industry and Internal Trade
13	EC	Environment Clearance
14	EHTP	Electronic Hardware Technology Park
15	EODB	Ease of Doing Business
16	EPIP	Export Promotion Industrial Park
17	ETP	Effluent Treatment Plant
18	FAME	Faster Adoption and Manufacturing of Electric Vehicles
19	FAR	Floor Area Ratio
20	FDI	Foreign Direct Investment
21	FMCG	Fast Moving Consumer Goods
22	FSSAI	Food Safety and Standards Authority of India
23	GDP	Gross Domestic Product
24	GMP	Good Manufacturing Practice
25	GoI	Government of India

#	Abbreviation	Full Form
26	GRIHA	Green Rating for Integrated Habitat Assessment
27	GSDP	Gross State Domestic Product
28	GST	Goods & Services Tax
29	GTTC	Government Tool & Training Centre
30	ICD	Inland Container Depots
31	ICT	Information & Communication Technology
32	IEA	International Energy Agency
33	IGBC	Indian Green Building Council
34	IoT	Internet of Things
35	IP	Intellectual Property
36	IT	Information Technology
37	ITI	Industrial Training Institute
38	JCCI	Japan Chamber of Commerce and Industry
39	JETRO	Japan External Trade Organization
40	JICA	Japan International Cooperation Agency
41	JIT	Japanese Industrial Township
42	KIADB	Karnataka Industrial Area Development Board
43	KSIIDC	Karnataka State Industrial Infrastructure Development Corporation
44	KSSIDCL	Karnataka State Small Industries Development Corporation Ltd
45	KUM	Karnataka Udyog Mitra
46	LAC	Land Audit Committee
47	LEED	Leadership in Energy and Environmental Design
48	MMLP	Multi Modal Logistics Parks
49	MSME	Micro, Small & Medium Enterprises
50	MTPA	Million-tonne per annum

#	Abbreviation	Full Form
51	OEM	Original Equipment Manufacturer
52	PPP	Public Private Partnership
53	PSU	Public Sector Undertakin
54	QMS	Quality Management Standards
55	R&D	Research & Development
56	SGST	State Goods & Services Tax
57	SLA	Service Level Agreement
58	SHLCC	State High Level Clearance Committee
59	SLSWCC	State Level Single Window Clearance Committee
60	SPV	Special Purpose Vehicle
61	STP	Secondary Treatment Plant
62	ZED	Zero Effect Zero Defect

