



## PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

**Sub:** Approval for special incentives package for investments in Toys Cluster in Koppal District and in Textile Cluster in Ballari District under Compete with China Program.

- Read:**
- 1) Government Order No. CI 130 SPI 2018(P1), dated 14.09.2018.
  - 2) Government Order No. CI 130 SPI 2018(P1), dated 10.08.2018.
  - 3) Government Order No. CI 130 SPI 2018(P1), dated 14.12.2018.
  - 4) Letter No. I&C/L&M/P&P/CWC/EO/IP/2018-19, dated 23.01.2019 of the Commissioner for Industrial Development and Director of Industries & Commerce, Bengaluru.

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### PREAMBLE:

Government has accorded approval to implement "Compete with China" Program announced in Budget 2018-19 in 9 Districts / Clusters viz., Kalaburagi (Solar panels, inverters, capacitors, laminators etc.), Chitradurga (All kinds of LED lights), Hassan (Tiles, Sanitary wares and bathroom fittings), Koppal (Toys & mechanized toys), Mysuru (Integrated Circuit Boards (ICB)), Ballari (Textiles), Chikkaballapur (Mobile Phone components & assembly), Tumakuru (Sports and fitness goods) and Bidar (Agricultural implements) vide Government Order No. CI 130 SPI 2018 (P1), dated 14.09.2018 read at (1) above

Nine Sectoral Vision Groups were constituted headed by the Industry Leader of the respective sector to give suggestions on the implementation modalities for the respective cluster vide Government Order No. CI 130 SPI 2018 (P1), dated 10.08.2018 read at (2) above.

The general operational guidelines were issued vide Government Order No. CI 130 SPI 2018 (P1), dated 14.12.2018 read at (3) above for Compete with China program, which stipulates formulation of special incentives package for the clusters over and above the incentives and concessions provided under the existing applicable State policies.

The Vision Groups of all the 9 clusters have held meetings and have deliberated on modalities to be adopted for development of product specific manufacturing clusters in the identified districts. The Vision Groups in their meetings have resolved that the following are the important requirements for development of manufacturing eco-system in the respective cluster and have made sub-groups to submit reports on each.

- Investment plan and products to be manufactured.
- Government interventions in terms of incentives - fiscal and non-fiscal.
- Training requirements.
- Infrastructure requirements.

Among the 9 Vision Groups, initially Toys (Koppal) and Textile (Ballari) Vision Groups have identified the prospective investors, land for the projects, products to be manufactured and training requirements. These Vision Groups have also stressed the need for Government interventions in terms of additional / special incentives over and above the incentives offered in the State Industrial and Textile Policies in order to attract investments to the identified districts. After due deliberations among the Vision Groups Members, they have submitted the incentives wish list and non-fiscal policy and procedural interventions required for development of the cluster.

The prospective investor's identified initially in Toys and Textile Clusters are mentioned below:

**1: Toys Cluster - Koppal:**

- a) M/s Aequs has acquired 255 acres of land in Koppal and is developing SEZ in 128 acres and DTA in 127 acres. The SEZ has been approved by Government of India.
- b) M/s Aequs in joint venture with M/s GFT Industries, China is proposing to invest Rs. 1500 crore in SEZ area creating about 25000 employment over a period of 5 years.
- c) Toy manufacturers in Delhi NCR region have also shown interest and are planning visit to Koppal.
- d) Road Show is planned in Hong Kong, where major Toy manufacturers are located, to attract Chinese investments.

**2: Textile Cluster - Ballari:**

- a) M/s Shahi Exports has agreed to establish 8 units in different parts of Ballari district with total investment of Rs. 320 crore and employment of 16000.

- b) M/s Gokuldas Exports has agreed to establish 2 units with total investment Rs. 80 crore and employment of 4000.
- c) M/s JSW Steels, Rs. 30 crore investment - 2000 employment.
- d) M/s Binary Apparel Park has agreed to establish Apparel Park in 25 acres with 10 units of total investment of Rs. 100 crore and employment of 5000.
- e) M/s Royal Intex has agreed to establish 1 unit with Rs. 25 crore investment and 1200 employment.

Based on the requirements of each cluster and incentive wish lists provided by Toys and Textile Cluster Vision Groups, the Commissioner for Industrial Development and Director of Industries and Commerce has prepared draft special incentive packages for these clusters and were discussed with the prospective investors on 21.01.2019.

The Commissioner for Industrial Development and Director of Industries and Commerce vide letter dated 23.01.2019 read at (4) above has recommended special incentives package for Toys & Textile Clusters separately under Compete with China Program and requested the Government for approval for the same in order to propagate the same among the prospective investors of the sector and attract investments for the respective clusters. It is also informed that special incentives package for other clusters will be worked out separately in consultation with the respective Vision Group and prospective investors of the sector and will be submitted to the Government in due course.

Hence the following order:

**GOVERNMENT ORDER No. CI 22 SPI 2019, BENGALURU,**  
**DATED 05.03.2019**

In the circumstances explained in the preamble, Government is pleased to accord approval for following special incentives package for investments in Toys Cluster in Koppal District and in Textile Cluster in Ballari District under Compete with China Program:

**I. Package of special incentives for Toys Cluster in Koppal District under Compete with China Program:**

(Activities: Wooden and Traditional Toys, Mechanised Toys, Educational & Building Toys, Dolls, Baby and Infant Toys, Games & Puzzles)

Sl. No.	Components	Quantum approved
<b>A) UNITS</b>		
1	Capital Investment Subsidy	30% on Fixed Assets (Land, Building, Machinery, ETP & Dormitory) (Sanctioned subsidy would be released in 5 annual installments linked to achievement of projected annual sales turnover as detailed in the note below)
2	Reimbursement of Stamp Duty & Registration Charges	100%
3	Reimbursement of Land Conversion Fee	100%
4	Interest Subsidy on Term Loan	5% subject to a maximum of Rs.7.5 crore per annum on Term Loan for 5 years
5	Power Tariff Subsidy	Rs.2 per unit for 5 years
6	Electricity Duty Exemption/ Reimbursement	100% for 5 years
7	ESI & EPF (Employer contribution) Reimbursement	75% for 5 years capped at 20% of VFA
8	Wage Subsidy (Only for direct employment and continuous service of at least 6 months)	Rs.1500 per month for 5 years
9	Freight Subsidy (Only for Exports)	Rail / Road freight charges to the Sea Port, for 5 years as below: Year 1 & 2 - 75% Year 3,4 & 5 - 50%
10	Rent subsidy for units within SEZ	Reimbursement of 50% of rent or maximum of Rs. 5 per sq.ft. per month for 3 years (Minimum lease period should be 10 years)
11	Skill Development Assistance	Rs.12,500 per candidate per training course of minimum 30 days or actual, whichever is less

12	Assistance for Common Facility Centres	1. Subsidy of 25% for Common Facility Centres established for the use of multiple units on chargeable basis in the cluster. 2. 25% cost reimbursement on Certifications. 3. Centre of Excellence, CIPET Centre, NID Centre: Subsidy of 50% on fixed investment.
<b>B) Developers (Minimum of 50 acres Industrial Park to be developed):</b>		
1	Capital Investment Subsidy	1. 10% on fixed capital investment in Factory buildings and Infrastructure facilities. 2. 25% for Common Facility Centres.
2	Interest Subsidy on Term Loan	5% subject to a maximum of Rs. 10 crore per annum on Term Loan for 5 years.
3	Subsidy on CETP & CSTP	50% on fixed capital investment subject to a maximum of Rs. 25 crore.
4	Reimbursement of Labour Welfare Cess	100% for 5 years

**Note:**

- This package of incentives will be in operation for 10 years from 2019 to 2029.
- Only new investments in Koppal District for Toys Manufacturing will be eligible for incentives under this package.
- The incentives at Sl. No. 7 & 8 of Toys units will be provided to industries employing more than 50 people and generating at least one direct employment for an investment of Rs.5.00 lakh.
- The operational phase incentives at Sl.No. 4 to 10 of units will be administered on a half yearly basis.
- The expenditure for administering this package of incentives will be met out of the budget under "Compete with China Program-Other Expenses" 2852-80-102-0-04(059).
- Incentives / Assistance available under other applicable State and Central Policies / Schemes can be availed. However, duplication of incentives / assistance will not be permitted.
- Sanctioned Capital Investment Subsidy will be released in 5 annual installments. Release of each installment of Subsidy will be against achievement of annual sales turnover projected in the Detailed Project Report (DPR) and as evidenced by the annual audited accounts / audited balance sheets in proportion detailed below:

Sales turnover for the year (% of annual projections in DPR)	Subsidy release eligibility for the year
80% and above	100%
70% - 79%	90%
60-69%	75%
50-59%	60%
Below 50%	Nil

- (i) The sales turnover includes sales within the state, inter-state and exports.
- (ii) The unit will not be eligible for release of capital subsidy for the year in which its sales turnover is less than 50% of the projected turn over.
- h) Technical Committee would be constituted to certify Toys enterprises other than the enterprises mentioned above.

**II. Package of special incentives for Textile Cluster in Ballari District under Compete with China Program:**

(Activities: Ready Made Garments (RMG), Hi-tech Weaving, Spinning, Technical Textiles, Textile Processing, Integrated Textile Facilities)

Sl. No	Components	Quantum approved
<b>A)</b>	<b>Textiles</b>	
1	Capital Investment Subsidy	40% on Fixed Assets (Land, Building, Machinery, ETP & Dormitory) <i>(Sanctioned subsidy would be released in 5 annual instalments linked to achievement of projected annual sales turnover as detailed in the note below)</i>
2	Reimbursement of Stamp Duty & Registration Charges	100%
3	Reimbursement of Land Conversion Fee	100%
4	Interest Subsidy on Term Loan	5% subject to a maximum of Rs.7.5 crore per annum on Term Loan for 5 years
5	ESI & EPF (Employer contribution) Reimbursement	75% for 5 years capped at 20% of VFA
6	Power subsidy	Rs. 2 per unit for 5 years
7	Skill Development Assistance	Rs.12,500 per candidate per training course of minimum 30 days or actual, whichever is less

B) Garments		
1	Capital Investment Subsidy	30% on Fixed Assets (Land, Building, Machinery, ETP & Dormitory) (Sanctioned subsidy would be released in 5 annual instalments linked to achievement of projected annual sales turnover as detailed in the note below)
2	Reimbursement of Stamp Duty & Registration Charges	100%
3	Reimbursement of Land Conversion Fee	100%
4	Interest Subsidy on Term Loan	5% subject to a maximum of Rs.7.5 crore per annum on Term Loan for 5 years
5	ESI & EPF (Employer contribution) Reimbursement	75% for 5 years capped at 20% of VFA
6	Wage Subsidy for RMG Industries (Only for direct employment and continuous service of at least 6 months)	Rs. 1,500 per employees for 5 years
7	Skill Development Assistance	Rs.12,500 per candidate per training course of minimum 30 days or actual, whichever is less

**Note:**

- This package of incentives will be in operation for 10 years from 2019 to 2029.
- Only new investments in Ballari District for Textile / Garment Industries are eligible for incentives under this package.
- The incentives at Sl. No. 5&6 will be provided to Garment industries employing more than 50 people and generating at least one direct employment for an investment of Rs.5.00 lakh.
- The operational phase incentives at Sl.No. 4 to 6 for both Textiles and Garments will be administered on a half yearly basis.
- The expenditure for administering this package of incentives will be met out of the budget under "Compete with China Program-Other Expenses" 2852-80-102-0-04(059).

- f) Incentives / Assistance available under other applicable State and Central Policies / Schemes can be availed. However, duplication of incentives / assistance will not be permitted.
- g) Sanctioned Capital Investment Subsidy will be released in 5 annual instalments. Release of each instalment of Subsidy will be against achievement of annual sales turnover projected in the Detailed Project Report (DPR) and as evidenced by the annual audited accounts / audited balance sheets in proportion detailed below:

Sales turnover for the year (% of annual projections in DPR)	Subsidy release eligibility for the year
80% and above	100%
70% - 79%	90%
60-69%	75%
50-59%	60%
Below 50%	Nil

- (i) The sales turnover includes sales within the state, inter-state and exports.
- (ii) The unit will not be eligible for release of capital subsidy for the year in which its sales turnover is less than 50% of the projected turn over.

The Commissioner for Industrial Development and Director for Industries & Commerce shall properly scrutinize the investment proposal i.e., the DPR so that investment/ sales turnover/employment correlate to existing industry benchmark. In no case shall the total incentives for both the clusters exceed Rs. 3500 crore (Textile & Garment in Ballari) and Rs. 3300 crore (Toys Cluster in Koppal) respectively over the next 10 years.

Further, the above incentive package is being agreed to only for Ballari Textiles and Garment Cluster and Koppal Toys Cluster. It is emphasized that this should not be the benchmark for investments outside the designated clusters or for formulating the new Industrial Policy or Textile Policy etc., for 2019-24 or beyond.

The Commissioner for Industrial Development and Director for Industries & Commerce shall prepare operational guidelines for administration of these incentives & concessions.



This order is issued with the concurrence of Finance Department vide Note No. FD 73 Exp-I/2019, dated 23.02.2019 and approval of the Cabinet in its meeting held on 25.02.2019 vide subject no. C:177/2019.

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

G. Nagarathnamma.  
(NAGARATHNAMMA G.) 5/3/19  
Desk Officer (Technical Cell),

05/03  
Commerce & Industries Department.

To,

The Compiler, Karnataka Gazette, Bengaluru for publication in the next issue of the Gazette and supply 25 copies to this office.

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- 9) The Commissioner for MSME, Khanija Bhavan, Race Course Road, Bengaluru-01.
- 10) The Commissioner for Textiles, Shubhodaya Complex, No.86, Railway Parallel Road, Bengaluru.
- 11) The Deputy Commissioner, Ballari / Koppal.

- 12) The Managing Director, Visveshvaraya Trade Promotion Centre, Shanthi Nagar, BMTC Complex, Bengaluru.
- 13) Deputy Secretary to Govt., (Cabinet Section), Vidhana Souda, Bengaluru-01.
- 14) PS to Hon'ble Minister for Large and Medium Industries, Vidhana Soudha, Bengaluru-01.
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