



Nuthana Javali Neethi
2013 - 2018
Government of Karnataka

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Nuthana Javali Neethi –2013-2018

(1) Preamble

Acknowledging the contribution of textile and garment sector in terms of industrial production, employment generation and export earnings to the economy of Karnataka;

Realizing its vast potential for creation of employment opportunities in the organized and decentralized sectors, agriculture, rural and urban areas particularly for the women and disadvantaged;

Considering the opportunities in the international market on account of quota phase out and domestic market due to increasing disposable income and revolution in organized retailing;

Recognizing that the progressive policy of the State Government in supplementing the concerted efforts of Government of India will have synergistic effect on growth of textile and garment industry in the State;

Having examined the weaknesses, threats and problems faced by the sector;

Having identified the strengths, growth areas and available opportunities;

Deciding to re-appraise the present policy to redefine objectives, targets and strategies to exploit the opportunities and pending an independent evaluation of the implementation of the Textile Policy, “SuvarnaVastraNeethi” 2008-13 in place in the State (**Annexure-1**);

The Textile Policy – “Nuthana Javali Neethi - 2013-2018” of Government of Karnataka is enunciated as follows

(2) Definition

The Textile and Garment industry to be covered under this policy will include all units, which are engaged in various value chain activities of the industry such as Spinning, Weaving (Power loom and Handloom) including pre loom activities, Knitting, Processing, Garmenting(including garments made of leather), Technical textiles, Textile machinery manufacturing and all other ancillary activities

(3) Vision

- (a) To establish the textile and garment industry of Karnataka, as a producer of internationally competitive value added products thereby maintaining dominant presence in the growing domestic and international market and contributing to the sustainable employment and economic growth of the State
- (b) To reinforce the value chain of the textile industry across the State through capital infusion, technology transfer, skill up-gradation and handholding

(4) Objectives

- (a) To achieve higher and sustainable growth in the entire textile value chain from fibre to finished products, with emphasis on balanced regional development
- (b) To facilitate emerging Technical Textiles in critical areas such as production, technology and research & development. The Policy will encourage integrated development in the sector aiming to sustainability of the textile units in the State
- (c) To support the industry with skilled human resource and to create at least 5 lakhs new employment opportunities in the State under the Policy period. The Policy will support skill development activities for skilling unemployed youth and up-gradation of skills for the people employed in the textile sector

(5) Focus Areas for Intervention

The focus areas for interventions in the textile policy “SuvarnaVastraNeethi” 2008-2013 were:

- (a) Strengthening of Textile Value Chain Activities
- (b) Technical Textiles
- (c) Geographical Dispersion of Textile & Garment units
- (d) Human Resource Development
- (e) Infrastructure Development
- (f) Technology Up-gradation of entire Textile Value Chain
- (g) Capacity Building - Market Development, Branding, Design Development & Product Diversification
- (h) Institutional Development
- (i) Standards & Compliance

All of the above interventions were planned, executed/ are being executed through a Cluster Based Development Strategy

The following initiatives have been taken under the Karnataka Textile Policy 2008-2013, snap shot of the previous policy is as shown in **Annexure 1**. As the initiatives have yielded good results, the same would be continued under the new textile policy 2013 – 2018, with suitable modifications

- (a) Strengthening of Textile Value Chain Activities:
 - (i) Although Karnataka is very strong in garmenting, the policy focused on the dual approach of development i.e strengthening of existing value chain activities and fill missing gaps in creating the facilities for value chain activities. In order to do so, Textile Policy focused on strengthening and enhancing capacity of all the essential value chain activities such as Spinning, Weaving (Handloom & Powerloom) including pre loom activities, Knitting, Processing, Garmenting,

Technical Textiles and other supporting ancillary activities including Textile Machinery Manufacturing

- (ii) During the policy period, the investments were brought in all most all the sub sectors of Textile in form of Textile Parks, Mega Projects, Integrated units and MSME units. Capacities have been created across the textile value chain; however scale and ecosystem is what has been able to attract large textile units in other traditionally strong States like Maharashtra & Gujarat
- (iii) The spinning sector in the State was quite strong at one point in time, through the cooperative spinning sector mills arrangement. Overtime, the sector has witnessed various difficulties and the mills had to either shut down or work under various constraints. In order to promote the well-being of the cooperative sector spinning mills, support would be provided through the policy through a special ‘Spinning Sector Rehabilitation Package’ for such spinning mills on creation of modern manufacturing capacities. A note on the spinning sector, its problems and the Special Rehabilitation Package for Spinning Sector proposed is as shown in **Annexure2**
- (iv) The power loom sector would be supported and strengthened in order to modernize production technologies, such that they are able to supply good quality fabrics in the required quantum. Handloom sector in Karnataka has been able to create some strong geographical indicators especially in silk sarees and traditional handloom sarees and dress material. However, due to the low levels of modernization, availability of credit in required quantum and marketability of produce, handlooms sector would need to be supported in enhancing viability through the new policy. Specific interventions for the handloom sector to be supported under the new policy are as follows:
 - (aa) Credit Linked Capital Subsidy
 - (bb) Interest Subsidy
 - (cc) Common Effluent Treatment Plant
 - (dd) Capacity Building support for Marketing, Branding & Product Diversification
 - (ee) HRD & Skill Up-gradation

For the purposes of support to the Hand Loom sector, 5% of the total planned outlay will be earmarked during the policy period

*Note: As of date, the Government of Karnataka, through district sector schemes, state schemes and central schemes with appropriate budgets (approximately Rs. 125 – Rs. 175 crores, per annum) continues to support the power loom and handloom sector units in the unorganized sectors. The budgetary provisions made under various schemes are as shown in **Annexure3**. The new textile policy will continue to support the power loom and the handloom units over and above these outlay*

- (v) Processing being the weakest link in the textile value chain, the last policy has been able to attract units which proposed processing as an integral part of the manufacturing set up. The Government of Karnataka would continue to support project proposals which create such integral processing capacities for their in-house consumption. Specific processing proposals will be considered depending upon the merits and feasibility of setting up such projects in the State with adequate support
- (vi) Garmenting sector has witnessed a growth in investments in the State and has not seen any slowdown. Capacity in garmenting has gone up drastically. There are approximately 6500 units (Large, Medium and Small) at organized and unorganized level with a presence in 20 districts across the State. Garment Sector has the potential to employ more number of people
- (vii) The new policy would continue to follow a dual approach of development i.e. strengthening of existing value chain activities, particularly in **Spinning, organized and un-organized Weaving (Power Loom and Handloom sector) and Processing**, for filling the gaps and creating facilities for value chain activities

As Karnataka has large cotton growing belts, and number of garmenting units, capturing the value addition, at each stage, from fibre to garment, by fostering related activities within the State, will be the prime focus of this textile policy

(b) Technical Textiles:

Apart from the traditional textiles, policy has put special thrust on technical textiles sector which is considered to be one of the major emerging sectors in textile value chain. Investments worth Rs. 1480 crores have been brought in technical textiles during the Policy period 2008-2013. Realizing the importance and growth potential of Technical Textile industry in the years to come, the forth coming policy will focus on providing support to the ventures in technical textiles sector

(c) Geographical Dispersion of Textile & Garment units:

- (i) In order to reduce regional imbalance and promote employment in the backward areas of the State, the policy focused on geographical dispersion of the textile and garment units in identified regions. The State was classified into three zones, depending on the degree of backwardness of the districts / taluks
- (ii) Mega projects and Cluster based Parks have been developed in various parts of the State including the interior areas such as Shimoga, Mandya, Bijapur, Hassan, Gulbarga, Dodballapur and Bellary

- (iii) The Government of Karnataka (GoK) through the Department of Handlooms and Textiles (DH&T) facilitated the implementation of these projects under Textile Policy (SuvarnaVastra Neethi-2008-13)
 - (iv) The forthcoming policy would look at decongesting Corporation Limits and City Municipal Council from industrial development and foster the same outside such limits
- (d) Human Resource Development:
- (i) Other than the physical infrastructure that is required for the development of textile industry, availability of skilled manpower is essential. In order to address the skill manpower requirements from the industry, Department of Handlooms & Textiles, under the policy, supported existing and new training institutions to train and place unemployed youth in the State. Also, the process of bridging the skills gap will be strengthened by providing better institutional linkages, creating a good pool of trainers by conducting Training of Trainers and the Assessment & Certification process to ensure the quality of training program. The Policy targeted to generate 5 lakh employment opportunities
 - (ii) Therefore the policy supported Skill Development initiatives. Under the Policy, approximately 3 lakhs employment opportunities (direct & indirect) have been created in the various part of the State. Government of Karnataka through various skill development initiatives under the Policy trained 1.17 lakh beneficiaries
- (e) Infrastructure Development:
- (i) During the policy period, Infrastructure development that are required for the Units to be globally competitive and meet the export compliance have been supported by the Government through Cluster based Textile Parks, Mega Projects and CETPs etc. Most of the infrastructure development have happened with integrated textile production facilities
 - (ii) Under this development strategy, Textile parks and Mega Project were set up at various locations in the State such as at Bangalore Rural, Gulbarga, Bijapur, Bellary, Hassan, Shimoga, Mandya and Mysore
- (f) Capacity Building:
- (i) Apart from development of hard infrastructure for the textile and garment sector, the policy also supported the industry with softer inputs mainly for the overall capacity building purposes
 - (ii) Capacity building initiatives were provided on a collectivized basis so as to obtain economies of scale. Capacity building initiatives that were supported during the policy period were as follows:

- (aa) Entrepreneurship Development Program (EDP): EDPs were organized by Department of Handlooms & Textiles, Government of Karnataka to attain a considerable growth and development in the Small and Medium Enterprises (SME) sector through emerging efficient entrepreneurs. The programs provide the basic knowledge on entrepreneurship qualities, with emphasis on skills and behaviours, to the emerging entrepreneurs apart from disseminating the benefits of the textile policy and creating awareness on technical part of textile sector. EDP was conducted in all the 30 districts of the State and approximately 900 entrepreneurs were benefited
 - (bb) Training of Trainers (ToT): Department of Handlooms & Textiles, Government of Karnataka, formulated and conducted Training of Trainers (ToT) programmes across the State that facilitated in enhancing the ability of trainers to conduct the training programmes
 - (cc) International Trade Shows/ Exhibitions: Government of Karnataka participated in various national and international fairs and trade exhibitions
 - (dd) Workshops: Under the Policy, Department of Handlooms & Textiles, and Government of Karnataka conducted several workshops for the benefit of the industry. Workshops were conducted on commencement of Skill Development Centres and on Technical Textiles
- (g) Human / Social Indicator Improvements:
- In order to improve the human / social indicators, the policy would look at providing support to industry which takes effective steps in achieving improvements in providing better working conditions to the employees. Certain portion of the incentives will be provided on achieving compliances to the guidelines set for measuring such improvements
- (h) Technology Up-gradation of entire Textile Value Chain:
- (i) Apart from support and encouragement to avail funding under the TUFs of Government of India, the policy also provided capital subsidy for upgrading the technology, quality testing equipments etc. as an additional incentive to the industry to modernize their production techniques
 - (ii) Technology Up-gradation in the entire value chain has gone exponentially higher under the policy period. Investments has been made in technology up-gradation and modernising the production facilities. These facilitate the units to supply goods as per the market standard and in required quantum

- (iii) In order create awareness on the latest technology in the Sector, Department of Handlooms and Textiles organized EDP programs across the State for the entrepreneurs

In order to address the value chains of textile, the Policy had covered all the activities and all the other ancillary activities. The Policy ensured that all weaknesses, as endorsed by the industry have been taken into account for providing support. Since the response from the industry have been good and extra efforts have to be pulled in, the new Policy will continue with the focus areas of interventions

(6) Cluster Based Development Strategy

- (a) The cluster based development is an all-encompassing approach, which endeavors to provide support to the units in the sector collectively. This approach benefits the industry as a whole rather than providing dispersed benefits
- (b) The cluster development model is aimed at achieving collective efficiencies in each of the key facet of their business right from provision of modern physical and social infrastructure, bulk sourcing of raw materials, procurement of modern technology and equipment, institutional financing support and access to organized domestic and international markets to implementing modern manufacturing and trade practices and also suitable environmental protection measures. The underlying objective of the initiative is to position SMEs on a level playing field with large players while retaining their integrity as individual businesses
- (c) The clusters will be organized / developed in a manner such that a group of entrepreneurs who produce and sell a range of related or complementary products and, thus, face common challenges and opportunities, come together with a view to achieve collective efficiency and penetrate markets beyond their individual reach. Further the clusters will be developed as per the guidelines set for Scheme for Integrated Textile Park (SITP), under Ministry of Textiles, Government of India

(7) Support to Existing Clusters/ Brown field Cluster Development

- (a) A cluster based development strategy is proposed to be adapted for the existing industrial estates having textile units, in the State. These units may belong to sub sectors of the value chain or an integrated textile unit
- (b) The objective is to continue the sustainable growth of the sector and become internationally competitive through expansion or technology up-gradation
- (c) Associations could be formed with Textile Units in the existing industrial estates or outside to approach the State Government for funding of specific common infrastructure such as CETP etc. and common amenities which are currently not available

- (d) State Government may also provide funding for developing soft inputs for the units in the industrial estate and nearby it. These soft inputs maybe provided in the form of skill development, marketing/ branding and capacity building. The association may carry the operations and maintenance activities of these common amenities

(8) Readymade Garment Sector

- (a) The last stage of the textile value chain is the readymade garment sector, where the maximum value addition takes place. The garment sector is low capital intensive and highly labour intensive. During the last policy period it has been experienced that every one lakh investment in the garment sector creates around 2-3 jobs. This industry has a woman-friendly employment orientation and provides employment to large number of women. This sector can also provide employment to rural workers, as it does not need sophisticated skill sets. Karnataka, especially Bangalore, has a strong garment industry since long time. The garment units of Bangalore are producing primarily, woven fabric based fashion garments. There are about 15,000 medium to big units in Bangalore and number of small units in and around Bangalore and Bellary
- (b) Since this sector has potential to create new employment opportunities, forthcoming policy will continue to welcome investments in readymade garment sector

(9) Technical Textile

- (a) In India, the value-added textile industry is collectively grouped into a single sector commonly referred as technical textiles. This sector encompasses fibre into industry products. Indian technical textiles industry is nascent and highly fragmented
- (b) As per Ministry of Textiles, Government of India the market size of technical textiles in India is estimated at Rs. 63,202 Crore during the year 2011-12 which has grown from Rs. 41,756 Crore in the year 2007-08 with annual growth of 11% year on year basis. As per the sub-group on technical textile for 12th five year plan, it is expected that the technical textile industry market size will reach Rs. 1,58,540 Crore by the year 2016-17 with a growth rate of 20% year on year basis
- (c) Technical Textiles and non-woven products are used across a wide range of economic activities such as agriculture, construction, defence, roads/highways, dams, hospitals, automobiles, shipbuilding, aircrafts, aerospace, packaging, upholstery/interior furnishings, sport equipments, environmental protection, hoardings, etc.
- (d) As Technical Textiles is one of the major emerging sectors in textile value chain, Government of Karnataka is putting special thrust on technical textiles sector. Karnataka has the potential to become the global hub for the

manufacture of technical textiles and non-wovens, for which there is a huge national and international market

(10) Centre of Excellence for Textiles / Technical Textiles

- (a) With the change in the trend in textile sector and technical textile being a knowledge based research oriented industry there is a need for Centre of Excellence for textiles. A Centre of Excellence for textiles will be setup in the State in co-operative arrangement with Government of Karnataka as the lead partner duly supported by other institutes having requisite capacity such as Bombay Textiles Research Association (BTRA) or any leading technical institution of the State. The Centre of Excellence will be funded by the State Government
- (b) Various activities which will be undertaken by the Centre of Excellence are:
 - (i) Research & Development
 - (ii) Human Resource Development
 - (iii) Testing and Evaluation of Textiles
 - (iv) Technical Services and Consultancy
 - (v) Instrumentation
 - (vi) Incubation Centre
 - (vii) Publication of industry journals
- (c) The centre will assist the manufacturers in development of standard technical textile products and users in adopting the technical textile products in the most scientific way. The goal is to enhance the knowledge base in composites through R&D and training. R&D projects will be undertaken in the field for development of technical textile fibres (natural & synthetic fibres), development of woven and nonwoven products, technologically updated manufacturing process, design and testing facilities etc.
- (d) Centre of Excellence would play an instrumental role in design development and forecasting fashion trends in textile sector. It would provide assistance in organizing workshops and training programs and would also provide strong mentoring support from industry experts on achieving technical expertise for new investors
- (e) Quality Certification will also be established for the manufacturing process and the finished goods, as per the international standards which would encourage exports
- (f) Incubation centre will be established in order to catalyze new product development, channelize production and marketing activities of technical textile products. New investors may utilize the incubation centre for product development and preparing prototype for commercial production
- (g) Incubation centre will provide a diversified basket of business solutions to the small start-ups, which have good business ideas, but no background to exploit the proposition commercially. It would provide venture space with office

facilities, shared resources and business network support, to work on their ideas before getting into the mass production

- (h) The Centre of Excellence will also establish an Information Centre to facilitate dissemination of information through sample exhibits, awareness programmes, e-library, video conferencing and publication of books and papers and technical know-how to the manufacturers and users of technical textile products

(11) Eco Textiles

- (a) Currently, consumers are concern about the environmental activities. Consumers are becoming conscious to environment friendly goods and prefer products which are non-toxic in nature. This tendency for eco-friendly products has been extended to Textile and Apparel products, particularly those products which directly come in to contact with the skin
- (b) The textile and apparel manufacturers should evaluate each and every stage of the supply chain and production cycle of their products to minimize various environmental hazards posed. They should pay special attention to the selection of dyes and chemicals which are low in formaldehyde content, free from pesticides, heavy metals etc.
- (c) Certification process would ensure that global standards of organic production and processing have been met. It would authenticate the company and its products and increase its credibility in international market
- (d) Policy to be focused on eco-friendly manufacturing and eco-labelling of products. State Government will promote eco-friendly fabric and apparel manufacturing projects which conforms to specifications laid out as per international benchmark
- (e) Infrastructure facilities within the project may include water supply, biological and chemical effluent treatment plants, alternative electricity supplies, steam and compressed air-all designed to include energy-saving processes
- (f) To encourage eco textiles in the State, Government will provide additional incentives to companies complying to certain standards of organic production and processing

(12) Specific Textile Zones in Backward Areas

- (a) The State Government will designate locations in the State for development of specific textile zones in backward areas. This will aim towards development of relevant ecosystem in textile sector in the designated locations to have a better economic activities
- (b) To bring in large investments in the textile sector in the form of specific textile zones in backward areas, special incentives will be provided for development of such parks as well as to the units within such zones

- (c) The zone may also have common facilities such as research centres which may further strengthen innovation and technological development in the sector. This will add value for the State and for the sector as a whole

(13) Policy Targets

- (a) Targets towards Investments and Employment during the Policy:

Year	2013-14	2014-15	2015-16	2016-17	2017-18	Total
Investment (Rs. in crores)	1002	1552	2462	2497	2487	10000
Employment	50450	76100	124300	124575	124575	500000

- (b) Sectoral Brief

(Investment in Rs. Crores)

Sector/Year	2013-14		2014-15		2015-16		2016-17		2017-18		Total	
	Inv	Emp	Inv	Emp	Inv	Emp	Inv	Emp	Inv	Emp	Inv	Emp
Handloom	2	1000	2	1000	2	1000	2	1000	2	1000	10	5000
Powerloom	50	5000	75	7500	125	12500	125	12500	125	12500	500	50000
Spinning	200	2600	375	5000	475	6500	475	6500	475	6500	2000	27100
Processing	50	350	100	900	210	1500	220	1575	210	1575	790	5900
Garments	500	40000	750	60000	1250	100000	1250	100000	1250	100000	5000	400000
Technical Tex	200	1500	250	1700	400	2800	425	3000	425	3000	1700	12000
Total	1002	50450	1552	76100	2462	124300	2497	124575	2487	124575	10000	500000

(14) Geographical Dispersion of the Textile and Garment Units

- (a) In order to reduce the regional imbalances and promote employment and growth in the backward areas of the State, the policy will focus on geographical dispersion of the textile and garment units and creation of skilled employment in identified regions
- (b) The State is classified into three Zones as follows:
 - (i) **Zone 1:** Backward districts with potential for textile activities will be provided with maximum benefits
 - (ii) **Zone 2:** Relatively developed areas from a textile value chain perspective and the districts with either very little or no textile activities and Anekal taluk shall be classified as Zone 2, will be provided with marginally lesser benefits

Note:

- (aa) All units coming up in the Corporation Limits and City Municipal Councils of Districts in Zone 1, will be classified as they are in Zone 2 for incentives and concession extension purposes
- (bb) All units coming up in the Corporation Limits and City Municipal Councils of Districts of Zone 2 will continue to get incentives and concessions eligible under Zone 2
- (iii) **Zone 3:** All areas falling in Bangalore Urban district, with exception of Anekal taluk will be not be provided any incentives under the policy
- (c) However, the following interventions will be provided to SPVs / Project Proponents, irrespective of which zones the proposed intervention would be implemented
 - (i) Brownfield Cluster Development
 - (ii) Common Effluent Treatment Plant & Hazardous Waste Disposal Facility
 - (iii) Capacity Building Support
 - (iv) Assistance for Resource Conservation & Environmental compliance
- (d) The classification of Zones with the rationale for the same with the potential textiles zones in the State has been given in **Annexure 4 & Annexure 5**

(15) Incentives Offered

In order to develop the textile sector in the State, the forth coming Textile Policy i.e. 2013-2018 would provide support to the industries for investing in the different value chain of the textile sector by providing incentives. The scheme of incentives, their objective, eligibility, and components to be funded and funding patterns are detailed herein:

S No.	Incentives	Zone-1		Zone-2	
1	(a) Credit Linked Capital Subsidy (i) General Category	Investment Bracket	Quantum of Incentives	Investment Bracket	Quantum of Incentives
		MSME Projects (Up to Rs. 10 crores)	20% of the Fixed Assets	MSME Projects (Up to Rs. 10 crores)	15% of the Fixed Assets
		Rs.10 crores to Rs. 25 crores	20% of the Fixed Assets or Rs 3.00 crores, whichever is less	Rs.10 crores to Rs. 25 crores	15% of the Fixed Assets or Rs. 2.00 crores, whichever is less
		Rs. 26 Crores to Rs. 50 Crores	20% of the Fixed Assets or Rs 4.00 crores, whichever is less	Rs. 26 Crores to Rs. 50 Crores	15% of the Fixed Assets or Rs. 3.00 crores, whichever is less
		Rs. 51 Crores to Rs. 99 Crores	20% of the Fixed Assets or Rs 6.00 crores, whichever is less	Rs. 51 Crores to Rs. 99 Crores	15% of the Fixed Assets or Rs. 5.00 crores, whichever is less
	(ii) Additional subsidy				
	(aa) Units within Designated Textile Parks	5% on the value of fixed assets or Rs.10 lakhs, whichever is less		5% on the value of fixed assets or Rs.10 lakhs, whichever is less	
	(dd) SC/ST category	20% on the value of fixed assets or Rs. 20 lakhs, whichever is less		20% on the value of fixed assets or Rs. 20 lakhs, whichever is less	
	(cc) Persons with disabilities/ Minority/Ex-servicemen/ Women	5% on the value of fixed assets or Rs.5 lakhs, whichever is less		5% on the value of fixed assets or Rs.5 lakhs, whichever is less	
	(b) Special Credit Linked Capital Subsidy				
(i) Technical Textile Units	Additional 10% on the value of Plant and Machinery or Rs. 25 lakhs,		Additional 10% on the value of Plant and Machinery or Rs. 25 lakhs,		

S No.	Incentives	Zone-1	Zone-2
	(ii) Integrated Units (Units having more than one value chain activity of textiles) (iii) Eco-friendly Units	whichever is less Additional 20% on eligible Plant and Machinery or Rs.30 lakhs, whichever is less Additional 20% on the value of Plant & Machinery installed to promote cleaner and environment friendly technologies or Rs. 20lakhswhichever is less	whichever is less Additional 10% on eligible Plant and Machinery or Rs.20 lakhs, whichever is less Additional 20% on the value of Plant & Machinery installed to promote cleaner and environment friendly technologies or Rs. 20 lakhs whichever is less
2	Interest Subsidy	<p>In order to facilitate the Entrepreneurs, interest subsidy will be provided to entrepreneurs for investments upto Rs. 99 crores</p> <p>The applicable Credit Linked Capital Subsidy(General Category) amount under section (1) of Incentives offered will be split as follows:</p> <p>(a) 50% of the approved outlay on meeting requisite development milestone</p> <p>(b) 50% of the approved outlay as interest subsidy over five years, on meeting requisite interest/obligations from Banks/FIs and financial milestone</p> <p>The interest subsidy provided will not exceed the cap as mentioned under section (1) of Incentives offered, in any case</p>	
3	Entry Tax	Full reimbursement on Plant & Machinery and Capital Goods including equipments for Captive Power generation and for Common Effluent Treatment and Waste Disposal Facilities	
4	Stamp Duty reimbursement	<p>Full reimbursement with respect to:</p> <p>(i) Execution of Lease, Lease-cum-sale and Sale deeds in respect of industrial land / plots allotted</p> <p>(ii) Execution of Lease Deeds in case of industrial sheds / plots taken on Lease</p> <p>(iii) Loan and credit deeds, including security documents such as mortgage deed, pledge deed etc., executed for availing long term funds from banks / FIs and other agencies of GoK/GoI</p>	<p>50% reimbursement with respect to:</p> <p>(i) Execution of Lease, Lease-cum-sale and sale deeds in respect of industrial land / plots allotted</p> <p>(ii) Execution of Lease Deeds in case of industrial sheds / plots taken on Lease</p> <p>(iii) Loan and credit deeds, including security documents such as mortgage deed, pledge deed etc., executed for availing long term funds from banks / FIs and other agencies of GoK/GoI</p>
5	Common infrastructure for Greenfield Textile	40% of the project cost or Rs.20.00 crores, whichever is less	20% of the project cost or Rs.15.00 crores, whichever is less

S No.	Incentives	Zone-1	Zone-2										
	Parks (i) Projects approved under any Central Government Scheme	10% of the project cost or Rs.10.00 crores, whichever is less	10% of the project cost or Rs.10.00 crores, whichever is less										
6	Brownfield Cluster Development	40% of the project cost or Rs.12.00 crores, whichever is less											
7	Specific Textile Zones in Backward Areas	<p>40% of the project cost or Rs.25.00 crores, whichever is less for Common infrastructure in Specific Textile Zones. 10% of the allocation would be spent towards providing power connectivity to the zone</p> <p>Following Credit linked Capital Subsidy will be provided to the Units within the Specific Textile Zones:</p> <table border="1"> <thead> <tr> <th>Investment Bracket</th> <th>Quantum of Incentives</th> </tr> </thead> <tbody> <tr> <td>MSME Projects (Up to Rs. 10 crores)</td> <td>20% of the Fixed Assets</td> </tr> <tr> <td>Rs. 5 crores to Rs. 25 crores</td> <td>20% of the Fixed Assets or Rs. 3.00 crores, whichever is less</td> </tr> <tr> <td>Rs. 26 crores to Rs. 50 crores</td> <td>20% of the Fixed Assets or Rs. 4.00 crores, whichever is less</td> </tr> <tr> <td>Rs. 51 crores to Rs. 99 crores</td> <td>20% of the Fixed Assets or Rs. 6.00 crores, whichever is less</td> </tr> </tbody> </table> <p>Interest Subsidy for the Units will be applicable as mentioned in section (2) of the Incentives offered</p>		Investment Bracket	Quantum of Incentives	MSME Projects (Up to Rs. 10 crores)	20% of the Fixed Assets	Rs. 5 crores to Rs. 25 crores	20% of the Fixed Assets or Rs. 3.00 crores, whichever is less	Rs. 26 crores to Rs. 50 crores	20% of the Fixed Assets or Rs. 4.00 crores, whichever is less	Rs. 51 crores to Rs. 99 crores	20% of the Fixed Assets or Rs. 6.00 crores, whichever is less
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8	Power subsidy (i) All value chain activity of Textile including Technical Textile (ii) ETP in Greenfield Textile Parks/ Brownfield Cluster Development/ Specific Textile Zones in Backward Areas	<p>Reimbursement of cost of power paid @ Rs.1.00 per unit</p> <p>*In case of Hi-tech Power Loom units, power connection should be above 20 HP</p> <p>Reimbursement of cost of power paid @ Rs.1.00 per unit</p>											
9	Common Effluent Treatment Plant and Hazardous waste disposal facility	<p>(a) 50% of the Project Cost or Rs.5.00 crores, whichever is less</p> <p>(b) In case of Handloom Sector – 80% of the Project Cost or Rs. 1.00 crore, whichever is less</p> <p>(c) In case of projects funded under any GoI scheme – 20% of Project Cost or Rs.5.00 crores, whichever is less</p>											

S No.	Incentives	Zone-1	Zone-2				
10	Mega Projects	<p>The basket of incentives as mentioned below would not exceed 15% of the Project Cost or Rs. 50 crores whichever is less</p> <p>(a) Credit Linked Capital Subsidy - 10% of the Project Cost or Rs. 10.00 crores, whichever is less</p> <p>(b) Reimbursement of State Level Taxes, Duties & Statutory Levies - Exemption up to 10% on the total amount of taxes levied by State and Local taxes and levies (including Sales Tax, Turnover Tax, Works Contract Tax, Cess etc.)</p> <p>(c) Reimbursement of Employees State Insurance / Employees Provident Fund - Up to 50% reimbursement on the expenditure incurred on account of employer's contribution towards ESI and EPF</p> <p>(d) Reimbursement of Entry Tax - 100% exemption of Entry Tax on Plant & Machinery as per the requirement of the unit</p> <p>(e) Reimbursement of Stamp Duty - 100% exemption of stamp duty on all legal documents for land, loan, working capital and any other project documents</p> <p>(f) Power Subsidy- Reimbursement of cost of power paid @ Rs.1.00 per unit for all value chain activity of textiles including Technical Textiles. In case of Hi-tech Powerloom units, power connection should be above 20 HP</p>					
11	Capacity building support (i) Market Development and Branding (ii) Design development and Product diversification (iii) Standards and compliances	<p>Reimbursement of 50% of the cost of proposed interventions or Rs.50 lakhs, whichever is less</p> <p>Reimbursement of 50% of the cost of proposed interventions or Rs.25 lakhs, whichever is less</p> <p>Reimbursement of 50% of the cost of proposed interventions or Rs. 5lakhs, whichever is less</p>					
12	Assistance for Resources Conservation and Environmental Compliance to existing units (More than 3 years old units)	<p>Assistance up to 50%, Max Rs. 50,000 for Energy Audit/Water Audit/Environmental Compliance which will be applicable in each case separately</p>					
13	Centre of Excellence	<p>Rs. 10 crores for setting up of Centre of Excellence for Textiles in the State</p>					
14	For existing units (Expansion/ Diversification/ Modernization/ Technological Up-gradation)	<p>(a) Credit Linked Capital Subsidy – Plant & Machinery</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Zone 1</th> <th>Zone 2</th> </tr> </thead> <tbody> <tr> <td>20% on the value of Plant & Machinery or Rs. 1 crores, whichever is less</td> <td>15% on the value of Plant & Machinery or Rs.75 lakhs, whichever is less</td> </tr> </tbody> </table> <p>(b) Interest Subsidy</p> <p>Will be extended in the same pattern as it will be for new units. The interest</p>		Zone 1	Zone 2	20% on the value of Plant & Machinery or Rs. 1 crores, whichever is less	15% on the value of Plant & Machinery or Rs.75 lakhs, whichever is less
Zone 1	Zone 2						
20% on the value of Plant & Machinery or Rs. 1 crores, whichever is less	15% on the value of Plant & Machinery or Rs.75 lakhs, whichever is less						

S No.	Incentives	Zone-1	Zone-2
		subsidy provided will not exceed the cap as mentioned under section Credit Linked Capital Subsidy (14-a) of Incentives offered, in any case	

(16) Efforts towards improving Social Accountability

As a part of the Government of Karnataka's efforts to improve social accountability and Human Development Index, an additional 5% of the approved incentives, not exceeding Rs. 5.00 lakhs, to the project proponents would be released on achieving compliances to social accountability and human development. The Milestones / deliverables for this intervention shall be set in the guidelines by the Department of Handlooms & Textiles

(17) Exclusions & Relaxations

- (a) All the new units coming up in Zone 3 areas, will not be eligible for incentives under the Textile Policy 2013-2018
- (b) However, the following interventions will be provided to SPVs / Project Proponents, irrespective of which zones the proposed intervention would be implemented
 - (i) Brownfield Cluster Development
 - (ii) Common Effluent Treatment Plant & Hazardous Waste Disposal Facility
 - (iii) Capacity Building Support
 - (iv) Assistance for Resource Conservation & Environmental compliance

(a) Credit Linked Capital Subsidy

- (i) **Objective:** To attract new investments in the textile and garment sector in the State by modernizing production technology and dispersing growth across the State
- (ii) **Eligibility:** The following would be eligible;
- (aa) **Credit Linked Capital Subsidy on Fixed Assets** - Will be available on the value of fixed assets created by the unit
- (bb) **Special Credit Linked Capital Subsidy (For Technical Textiles, Integrated Units & Eco-friendly Units)** - Will be available on the value of eligible Plant & Machinery acquired by the unit
- (iii) **Definition of Project Cost / Fixed Assets:** For the purposes of calculation of incentives under the policy, Project Cost / Fixed Assets would be defined as assets created for the project and would include Factory Building, Infrastructure (other than land and land development), Plant & Machinery and other Productive Assets with Transportation, Erection & Electrification
- (iv) **Funding :** A credit linked capital subsidy will be provided to the units during the plan period as follows;

(aa) **Credit Linked Capital Subsidy on Fixed Assets**

➤ **Zone 1:**

Investment Bracket	Quantum of Incentives
MSME Projects (Up to Rs. 10 crores)	20% of the Fixed Assets
Rs.10 crores to Rs. 25 crores	20% of the Fixed Assets or Rs. 3.00 crores, whichever is less
Rs. 26 Crores to Rs. 50 Crores	20% of the Fixed Assets or Rs. 4.00 crores, whichever is less
Rs. 51 Crores to Rs. 99 Crores	20% of the Fixed Assets or Rs. 6.00 crores, whichever is less

➤ **Zone 2:**

Investment Bracket	Quantum of Incentives
MSME Projects (Up to Rs. 10 crores)	15% of the Fixed Assets
Rs.10 crores to Rs. 25 crores	15% of the Fixed Assets or Rs. 2.00 crores, whichever is less
Rs. 26 Crores to Rs. 50 Crores	15% of the Fixed Assets or Rs. 3.00 crores, whichever is less
Rs. 51 Crores to Rs. 99 Crores	15% of the Fixed Assets or Rs. 5.00 crores, whichever is less

- All units locating within Textile Parks partly funded through Central / State Government schemes, irrespective of their locations, shall be eligible for an additional subsidy of 5% or Rs. 10 lakhs per unit, whichever is less
- All units being promoted by SC/ST Person, irrespective of their locations, shall be eligible for an additional subsidy of 20% or Rs. 20 lakhs per unit, whichever is less
- All units being promoted by persons with Disabilities/Minority/Ex-Servicemen and Woman entrepreneurs, irrespective of their locations, shall be eligible for an additional subsidy of 5% or Rs. 5 lakhs per unit, whichever is less

(bb) **Special Credit Linked Capital Subsidy(For Technical Textiles, Integrated Units & Eco-friendly Units)**

➤ **Technical Textile Units**

All technical textile units irrespective of their locations shall be eligible for an additional subsidy of 10% on the value of plant & machinery or Rs. 25 lakhs, whichever is less

➤ **Integrated Units**

Zone 1	Additional capital investment subsidy of 20% on eligible Plant & Machinery or Rs. 30 lakhs, whichever is less
Zone 2	Additional capital investment subsidy of 10 % on eligible Plant & Machinery or Rs. 20 lakhs, whichever is less

➤ **Eco-friendly Units**

All units irrespective of their locations shall be eligible for an additional subsidy of 20% on the value of Plant & Machinery installed to promote cleaner and environment friendly technologies or Rs. 20 lakhs, whichever is less. This incentive will be provided only on the additional investments made towards making the set up eco-friendly. Such plant and machinery should be certified by Karnataka Pollution Control Board

(b) **Interest Subsidy**

- (i) **Objective:**To facilitate Textile Units for hassle free operations, financial assistance will be provided to them in form of interest subsidy

- (ii) **Eligibility :** The following would be eligible ;
 - (aa) Entrepreneurs setting up new units with an investment of upto Rs. 99 crores in the State during the policy period will be eligible to seek and receive support
 - (bb) The support would be extended only to those units, which commence their commercial production during the policy period and would be available for a period of five years from the date of first repayment of loan. The subsidy would be paid only in case the loan account with the bank is regular in terms of achieving all payments to bank under the loan assistance
- (iii) **Funding :**The applicable Credit Linked Capital Subsidy amount for General Category under section (1) of Incentives offered will be split as follows for Interest Linked Subsidy:
 - (aa) 50% of the approved outlay on meeting requisite development milestone
 - (bb) 50% of the approved outlay as interest subsidy over five years, on meeting requisite interest/obligations from Banks/FIs and financial milestone
- (iv) The Interest Subsidy provided will not exceed the cap as mentioned under section “Credit linked Capital Subsidy” of Incentives offered, in any case
- (c) **Entry Tax reimbursement**
 - (i) **Objective:** To reduce the cost of acquiring suitable production technology and transporting them into the State for production purposes
 - (ii) **Eligibility:** The entry tax will be reimbursed on the following components;
 - (aa) Plant & Machinery and Capital Goods including equipments for Captive Power Generation and equipment for Common Effluent treatment and Waste disposal facilities
- (iii) **Funding:** Reimbursement would be made on actual payments made by the entrepreneurs as per the invoiced record
- (d) **Stamp Duty reimbursement**

- (i) **Objective:** To reduce the transaction cost with respect to procurement / leasing of land and execution of other project / financing documents in the State
- (ii) **Eligibility :** To claim reimbursement of the Stamp Duty paid during the plan period, the following would be eligible;
 - (aa) Entrepreneurs setting up new units and entering into arrangements for procurement of Land
 - (bb) SPVs set up with a minimum of 5 members from the user industry and / or Industry Associations for the purpose of developing Greenfield/ Brownfield or Textile Parks in either of the zones of Backward Areas, in identified locations
- (iii) **Reimbursement components:** The stamp duty reimbursements will be available with respect to the following ;
 - (aa) Execution of Lease, Lease cum Sale & Sale Deeds, in respect of industrial land / plots allotted
 - (bb) Execution of Lease Deeds in case of industrial sheds / plots taken on Lease
 - (cc) In respect of loan and credit deeds, including security documents such as mortgage deed, pledge deed etc. executed for availing long terms funds from Banks / Financial Institutions and other agencies of Government of Karnataka / Government of India
- (iv) **Funding :** Reimbursement would be made on the basis of actual payments made by the entrepreneurs / SPV subject to the following ;
 - (aa) **Zone 1:**Reimbursement of full amount paid towards stamp duty
 - (bb) **Zone 2:**Reimbursement of 50% of the amount paid towards stamp duty
- (e) **Common Infrastructure for Greenfield Textile Parks**
 - (i) **Objective:** A cluster based development strategy is continued to be adopted for developing Green field textile and garment industry parks in the State. These Parks/Zones could house integrated textile production facilities viz. Spinning, Weaving, Processing, Garmenting and other ancillary units that may be required or sector specific activities such as weaving or processing etc. Such Greenfield Textile Parkswill enable the industry in cost reduction, enhanced quality and overall competitiveness

- (ii) **Eligibility :** A SPV formed by the user industry comprising of a group of entrepreneurs would be eligible for grant support subject to the following;
- (aa) The Textile Park being developed shall have a minimum of 15 acres in size. In case of Technical Textiles Park the minimum area shall have 10 acres in size
 - (bb) A minimum of 5 entrepreneurs from the user industry should come together to form an SPV. Associations can also join the SPV as a member
 - (cc) The SPV shall hold 100% equity during the implementation of the Project. On completion of the Project the SPV shall hold a minimum of 51% of the equity with the balance 49% could be held by strategic partners / developers / Government agencies etc. In case, the SPV wishes to dilute its equity stake during the implementation of the Project the same shall be done by taking the prior concern of the Department of Handlooms & Textiles, Government of Karnataka
 - (dd) Minimum of 51% of the equity in the SPV is to be held by the user industry, the balance 49% could be held by strategic partners / developers / Government agencies etc.
- (iii) **Following components are eligible for subsidy:**
- (aa) **Factory Building**
 - (bb) **Common Infrastructure such as :**
 - Compound Wall and site development
 - Roads
 - Drainage System
 - Sewage Treatment Plant
 - Water supply
 - Power supply including Captive Power Plant/ Alternative source of power
 - Common Effluent Treatment Plant
 - Waste Disposal Facilities
 - Telecommunication systems
 - External infrastructure including Power, Water and Approach Roads up to the doorsteps of the Park
 - Any other need based infrastructure
 - (cc) **Building for Common Amenities such as :**
 - Testing Laboratory
 - Design Center
 - Training Center

- Trade / exhibition center
- Warehousing Facility
- Raw material Depot
- Worker facilities such as crèche, canteen, dormitories, recreation facilities, etc.
- Office buildings of Service providers
- Buildings for Banks / ATM, etc.
- Building for fire-fighting, etc.

Land for the projects will not be an eligible component for funding of the incentives; however, they can be a part of the part of the Project Cost as maybe required for Bank / FI approvals and to be funded by the entrepreneurs themselves

- (iv) **Funding :** The SPV would be provided one time grant support for the development of common infrastructure for Greenfield Parks on the following basis ;
- (aa) **Zone 1:**Up to 40% of the project cost or Rs.20.00 crores per Park project, whichever is less
- (bb) **Zone 2:**Up to 20% of the project cost orRs.15.00 crores per Park project, whichever is less
- (v) Where projects are already approved and are being funded under any Central Government Scheme, GoI that may receive fresh approval under the such schemes, during the policy period, only an additional 10% of the Project cost or Rs.10.00 crores, whichever is less, will be provided as supplementary State Government incentive to such Park Projects
- (vi) The grant support from the Government will be provided in four equal installments
- (vii) Since identification of potential entrepreneurs, establishment of SPVs and project implementation requires professional handholding support. The Government would engage IL&FS Cluster Development Initiative Limited as Professional consultants to assist the project development process on “Concept to Commissioning” basis
- (viii) The milestones for disbursement of incentives will be detailed in Operations Manual for the of the Policy, which will also set the respective development milestones

(f) Brownfield Cluster Development

- (i) **Objective:** To adopt cluster based development strategy for existing industrial estates having textile units. To continue the sustainable growth of the sector and become internationally competitive through expansion or technology up-gradation

- (ii) **Eligibility :** The following would be eligible ;
 - (aa) SPVs set up with a minimum of 5 members from the user industry and / or Industry Associations for the purpose of developing common facilities such as CETP/STP etc. for the existing industrial estates having minimum 5 textile units
 - (bb) Common Infrastructure will be facilities such as CETP, STP, testing facilities etc.
- (iii) **Funding :**The SPV would be provided one time grant support for the development of common infrastructure for Brownfield cluster, irrespective of which Zone they are in, on the following basis;
 - (aa) Up to 40% of the Project Cost or Rs.12.00 crores per industrial estate project, whichever is less
 - (bb) The milestones for disbursement of incentives will be detailed in Operations Manual for the of the Policy, which will also set the respective development milestones

(g) Specific Textile Zones in Backward Areas

- (i) **Objective:** To attract fresh investments in the State from the neighbouring states and to support the textile sector in terms of growth
- (ii) **Eligibility :**The following would be eligible ;
 - (aa) An SPV formed by/for the user industry shall be eligible to avail this support
 - (bb) A minimum of 50 acres of land would be required for a Project to qualify as a Specific Textile Zone in a Backward Area
 - (cc) The SPV can be formed by one anchor investor or a group of anchor investors / entrepreneurs for development purposes
 - (dd) The SPV shall hold 100% equity during the implementation of the Project. On completion of the Project the SPV shall hold a minimum of 51% of the equity with the balance 49% could be held by strategic partners / developers / Government agencies etc. In case, the SPV wishes to dilute its equity stake during the implementation of the Project the same shall be done by taking the prior concern of the Department of Handlooms & Textiles, Government of Karnataka
 - (ee) Minimum of 51% of the equity in the SPV is to be held by the user industry, the balance 49% could be held by strategic partners / developers / Government agencies etc.

(iii) **Funding :**

- Up to 40% of the Project Cost or Rs.25.00 crores, whichever is less for setting up of Specific Textile Zones in Backward Areas
- 10% out of the proposed allocation would need to be spent towards ensuring appropriate power connectivity to the zone. In case of unused balances, they may be utilized towards other infrastructure requirement. In case the cost of proposed power connectivity infrastructure increases more than the allocated 10%, the same to be contributed by the SPV through other sources
- The Units in the Specific Textile Zones in Backward Areas will be provided Credit Linked Capital Subsidy as per the investment slabs shown in the Table below:

Investment Bracket	Quantum of Incentives
MSME Projects (Up to Rs. 10 crores)	20% of the Fixed Assets
Rs.10 crores to Rs. 25 crores	20% of the Fixed Assets or Rs. 3.00 crores, whichever is less
Rs. 26 crores to Rs. 50 crores	20% of the Fixed Assets or Rs. 4.00 crores, whichever is less
Rs. 51 crores to Rs. 99 crores	20% of the Fixed Assets or Rs. 6.00 crores, whichever is less

- Interest Subsidy will be provided to the extent of 50% of the approved outlay to the units. However, the Interest subsidy provided will not exceed the cap as approved under “Credit Linked Capital Subsidy” of Incentives offered, in any case

(h) **Power Subsidy**

- (i) **Objective:** In order to make new units in the textile and garment sector in the State more competitive, power subsidy will be provided to the units during the policy period for 5 years, from the date of commencement of commercial production
- (ii) **Eligibility:** Entrepreneurs setting up new units in the State during the policy period will be eligible to seek and receive support
- (iii) **Funding :** All the new units that will be set up during the policy period will be provided a power subsidy;

- (aa) All value chain activity of Textile including Technical Textile units, will be reimbursed the cost of power paid @ Rs.1.00 per unit
 - (bb) In case of the Powerloom units, power connection should be above 20 HP and which have installed TUFS compliant shuttle less looms will be reimbursed the cost of power paid @ Rs.1.00 per unit
 - (cc) ETP facility in Greenfield Textile Parks, Brownfield Cluster development and Specific Textile Zone in Backward Areas will be reimbursed the cost of power paid @ Rs.1.00 per unit
- (i) **Common Effluent Treatment Plant and Hazardous Waste Disposal Facility**
- (i) **Objective:**
 - (aa) In order to make the textile and garment units in the State compliant to environmental norms and thereby helping the industry in meeting the compliances and reducing the cost, it is proposed to provide one time subsidy for setting up Common Effluent Treatment Plants / Hazardous Waste Disposal Facility
 - (bb) In order to ensure that the facilities are created and operated as per the specific requirements for which they are created, the proponents would need to ensure that agencies having requisite capacity participate/ develop such facilities. As such facilities require specialized capability firms engaged in such activities would need to be identified/ selected for implementation, operation and maintenance of the Project
 - (ii) **Eligibility:**
 - (aa) An SPV formed by the user industry comprising of a group of minimum 5 entrepreneurs would be eligible for grant support. The SPV may be either developing a Greenfield Textile Park / Brownfield facilities or Sector Specific Textile Park in Backward Areas
 - (bb) The SPVs who would like to take the benefit of such facilities may develop the projects on a BOT model by identifying and appointing agencies who have the requisite capacity for developing and operating such facility
 - (cc) Government of Karnataka through Department of Handlooms & Textiles may also run such facility on a BOT Model, if the scale and size of the project requirements are large enough

- (iii) **Project components :** Project Cost for the purpose of grant support would include the following components;
 - (aa) Infrastructure like roads, water supply, power etc.(excluding land and land development costs)
 - (bb) Building
 - (cc) Plant & Machinery
- (iv) **Funding :** The one time grant support will be provided to the SPV, in four equal instalments, for setting up such facilities as follows;
 - (aa) Up to 50% of the Project cost or Rs.5.00 crores, whichever is less
 - (bb) In case of Handloom projects, the subsidy would be limited to 80% of the project cost or Rs. 1.00 crore, whichever is less
 - (cc) In case of the projects being funded under any scheme of Government of India, the subsidy would be limited to 20% of the project cost or Rs. 5.00 crores, whichever is less
 - (dd) The milestones for disbursement of incentives will be detailed in Operations Manual for the of the Policy, which will also set the respective development milestones

(j) Mega Project

- (i) **Objective:**To ensure that the State transforms into a global investment destination, development by way of establishment of several mega projects is considered necessary. The Department of Handlooms & Textiles intends to promote and facilitate mega projects which would have multiplier effect and would be integral to the employment generation activity and inclusive sector development in the State
- (ii) **Eligibility:** Mega Projects, on the basis of the investments in a single project in Zone 1 and Zone 2, can be classified as follows:
 - (aa) All the Textile units excepting Garmenting units, investing Rs. 100 crores and above only in creation of fixed assets, and providing a minimum of 150 direct employment
 - (bb) Garmenting units investing Rs. 100 crores and above in capital expenditure in creation of fixed assets, and providing a minimum of 500 direct employment

(iii) **Funding:** Special incentives extended to the Project proponents for developing a Mega Project are as follows:

(aa) **Capital Subsidy**

- The Mega Project would require large area of land which would be undeveloped; project proponent would need to build the infrastructure requirements for the unit
- Government will provide capital subsidy @ 10% of the Fixed Assets or Rs. 10.00 crores, whichever is less

(bb) **Reimbursement of State Level Taxes, Duties & Statutory Levies**

- The Government of Karnataka will offer proponents of Mega Projects, exemptions from all State and Local taxes and levies, including Sales Tax, Turnover Tax, Works Contract Tax, Cess etc., in respect of supply of goods and services by establishments to the developer of Mega Projects
- Reimbursement would be made on actual payments made by the entrepreneurs as per the invoiced record, for the Mega in Zone 1 and Zone 2

(cc) **Reimbursement of Employees State Insurance / Employees Provident Fund**

- The Government will offer reimbursement of expenditure incurred on account of employer's contribution towards ESI and EPF through a predetermined formulae
- Reimbursement would be made on actual payments made by the entrepreneurs as per the invoiced record, for the Mega Project irrespective of the Zones in which the Units are located
- The support would be available for a period of five years from the date of commercial production

(dd) **Reimbursement of Entry Tax**

- Mega project envisage huge investment on Plant & Machinery and thus it could be imported from other

countries. The Government will provide 100% exemption of Entry Tax on Plant & Machinery as per the requirement of the unit

(ee) **Reimbursement of Stamp Duty**

- Stamp duty on all legal documents for land, loan, working capital and any other project documents attracting stamp duty implications will be reimbursed as per the slabs set for Zone 1 and Zone 2

(ff) **Power Subsidy**

- Reimbursement of cost of power paid @ Rs.1.00 per unit for all value chain activity of textiles including Technical Textiles. In case of Hi-tech Powerloom units, power connection should be above 20 HP. The incentive will also be extended to ETP facility in Project
- For mega projects, proponents are free to develop attractive power project for 24X7 power supply. The cost of the power project will be considered as part of the Project Cost in the Detailed Project Report

(gg) The basket of incentives as mentioned above would not exceed 15% of the Project Cost or Rs. 50 crores whichever is less

(k) **Capacity Building Support**

Apart from development of hard infrastructure for the textile and garment sector, there is an inherent need to provide the industry with softer inputs mainly for the overall capacity building purposes. Such capacity building initiatives need to be provided on a collectivized basis so as to obtain economies of scale. Capacity building initiatives that will be supported during the policy period are as follows;

(i) **Market Development and Branding:**

- (aa) **Objective:** To enable group of entrepreneurs / units to access the global and emerging domestic markets more effectively
- (bb) **Eligibility:** The eligibility for seeking support for the above initiative is as follows;
 - A group of minimum 5 entrepreneurs having units in the State / Industry Associations

- SPVs/ Industry Associations developing Textile Parks/ Specific Textile Zones through Central or State Government assistance
- (cc) **Project Components :** The Project components that would be funded will be as follows;
- Participation in International Exhibitions
 - Business Delegations Abroad and Inward Missions
 - Development of Websites / Brochures, etc.
 - Undertaking Market Research Studies
 - Engagement of International Market Development Consultants
 - Development of Brands
 - Publicity
 - Other Marketing Initiatives
- (dd) **Funding:** The funding support will be provided for this initiative would be 50% of the project cost or Rs.50 lakhs, whichever is less, with the balance being met / arranged by the group of entrepreneurs / Industry Associations. Assistance will be provided on reimbursement basis

(ii) Design Development and Product Diversification:

- (aa) **Objective:** To enable handloom entrepreneurs or units to develop new products through design development
- (bb) **Eligibility:** The eligibility criteria for seeking support for the above initiative are as follows;
- A group of minimum 5 handloom entrepreneurs having units in the State / Industry Associations / Co-operative Societies
 - SPVs developing Textile Parks (handlooms)/Specific Textile Zones through Central or State Government assistance
- (cc) **Project components:** The Project components that would be funded are as follows;
- Cost of Designers engaged in Design & Product Development
 - Cost of Raw Materials, Specialized Machinery, if any, etc.
 - Testing, Standardization Expenses, etc.

- (dd) **Funding:** The funding support will be provided for this initiative would be 50% of the Project cost or Rs.25 lakhs, whichever is less, with the balance being met / arranged by the group of entrepreneurs / Industry Associations / Co-operative Societies. Assistance will be provided on reimbursement basis

(iii) Standards and Compliances:

- (aa) **Objective:** To enable the industry in adopting standards and there by becoming compliant to various international trade requirements

- (bb) **Eligibility:** Any unit that obtains certification / accreditation under any of the internationally recognized / accepted standards such as;

- Bureau of Indian Standards
- ISO-9000 Quality Management System.
- ISO-14000 Environmental Management System.
- ISO-18000 Occupational Health and Safety Standards.
- Social Accountability Standards.
- Internationally accredited eco-labels OKE-TEX 100, etc.
- UN Environmental Programme Certification (a UN-led initiative promoting socially responsible and sustainable business practices) and the UN Economic and Social Commission for Asia and the Pacific (UNESCAP)
- Any other internationally accredited certification that will enable better market positioning.

- (cc) **Funding:** The funding support will be provided to an individual unit to the extent of 50% of the cost or Rs.5 lakhs, whichever is less, with the balance being met / arranged by the beneficiary unit. Assistance will be provided on reimbursement basis

(l) Assistance for Resources Conservation and Environmental Compliance to Existing units

- (i) **Objective:**In order to make the existing textile and garment units in the State complainant towards the changing environment norms, it is proposed to provide assistance for resource conservation and environmental compliance

(ii) **Eligibility:**

- (aa) The existing units, operational for minimum three years or more would be eligible for the grant

(bb) The enterprise will be eligible for the grant once in two years of the operating period of the scheme

(iii) **Funding:** Reimbursement up to 50% of cost for energy audit/water audit/ Environmental compliance or maximum of Rs.50,000 whichever is less will be applicable in each case separately

(m) Integrated Textile Units:

Textile and Garment units housing more than one value chain activity of textiles at single location, by one entrepreneur would be classified as Integrated Textile Units

(n) Dovetailing of Support under other Schemes:

The assistance available under various schemes of Central and State Governments like TUFs of Ministry of Textiles, Government of India may be dovetailed by the Group of Entrepreneurs / Industry Associations / SPVs / Units with the support available under this Policy. However, the contribution by the industry shall not be less than 15% of the cost of each project, in case of such dovetailing

The projects approved under this policy will not be eligible to claim incentives and concessions under Industrial Policy of the State

(18) Human Resources Development & Skill Up-gradation:

The availability and quality of skilled manpower are pre-requisites for a globally competitive textile and garment industry, and therefore, the policy will provide adequate priority and thrust to the development of need-based skills for various sub-sectors of textile industry. It is targeted to generate at least 5 lakh employments and to train the unemployed youth during the policy period

(a) Up-gradation of Textile Infrastructure in Institution

Funding support will be provided to Institutions of repute, who are into the academics/ skill development in the textile value chain, for up-gradation of training facilities in the campus. Upto Rs. 1 crore funding support will be provided to the institutions basis approved DPR which should justify the textile infrastructure up-gradation. Three intuitions will be supported for the textile infrastructure up-gradation, during the Karnataka Textile Policy 2013-2018

(b) Strengthening of Existing Institutes / Skill Development Centres

In order have a convergence between the training initiatives of Government of India though NSDC and other Ministries such as MORD, MOT etc., funding support for creation of infrastructure would not be encouraged. Funding interventions by DH&T would include support towards training cost and would be as follows:

- (i) In case training proponents have the requisite infrastructure and the capacity to train and place beneficiaries in the textile and apparel sector, they would be supported towards the training cost. If the infrastructure has been created through the funding support from Department of Handlooms and Textiles, the support towards training cost will be Rs. 6000 per beneficiary

- (c) Support to Existing Project Implementation Agencies (PIAs) / Institutes

In case training proponents have the requisite infrastructure and the capacity to train and place beneficiaries in the textile and apparel sector, they would also be supported towards the training cost. In this case, the support will be Rs. 7500 per beneficiary

- (d) Support to New Project Implementation Agencies

In case training proponents have the requisite infrastructure and the capacity to train and place beneficiaries in the textile and apparel sector, they would also be supported towards the training cost, subject to appropriate due diligence. In this case, the support will be Rs. 7500 per beneficiary

- (e) Funding Milestones
 - (i) The grant support from the Government of Karnataka for the training program will be based on two milestones
 - (ii) The First milestone will be completion of training program. 50% of the eligible fund will be made on achieving the first milestone
 - (iii) The Second milestone will be on completion of 60 days, post placement of beneficiary. Remaining 50% of the eligible payment will be made on achieving the second milestone

- (f) Placement Criteria

All training programs will be linked to the industry requirement to ensure placements. A minimum of 80% of placement to be achieved by the PIAs / Institutes

- (g) Training Content

All the training content would be standardized and would require approval by the State level committee/ DH&T. This will assure the quality and uniformity in the content

- (h) Management Information System (MIS)

MIS system will facilitate the Department of Handlooms & Textiles, Government of Karnataka to have an operational control over the training and

placement program there by the quality of the program could be maintained and upgraded wherever necessary

(19) Assistance for Existing Units:

Expansion/ Diversification/ Modernization/Technological Up-gradation

In order to facilitate and promote growth of Textile industry, Government of Karnataka will extend support to the existing textile units in the State which establish the fact that they have modernized / Diversified / Expanded and upgraded their technology. This will facilitate the existing textile units to meet international environmental and social standards. In addition, this will help these units to aim at better profitability and will boost the confidence of existing textile industry.

(1) For the purposes of the said assistance, the activities are defined as elaborated below:

- (a) **Expansion**- Existing units in the Textiles and Garment sector would be considered as units undergoing capacity expansion, in case they have invested in plant and machinery, for expanding in the same business or sub sector
- (b) **Diversification** - Existing units in the Textiles and Garment sector would be considered as units undergoing diversification, in case they have carried out either backward or forward integration, within the textile value chain. The said integration may be the immediate activity within the backward or forward chain or any activity of the value chain
- (c) **Modernization / Technology Up-gradation** - Existing units in the Textiles and Garment sector would be considered as units undergoing modernization / technology up-gradation, in case they have plant and machinery of certain kind and they have brought in plant and machinery of an upgraded version as a replacement of the existing plant and machinery (as specified under TUFS Scheme of Government of India) within the unit

Note: In all cases mentioned above, a minimum investment of 15% on their existing plant and machinery value, as on the date of application would be a prerequisite for considering such proposals for approval

(2) The incentives offered to the existing units when they seek funding under the above mentioned criteria are as follows:

S No.	Incentives	Zone-1	Zone-2
1	Credit linked Capital subsidy – Plant & Machinery	20% on the value of Plant & Machinery or Rs. 1 crore, whichever is less	15% on the value of Plant & Machinery or Rs.75 lakhs, whichever is less
2	Interest Subsidy	In order to facilitate the Entrepreneurs, interest subsidy will be provided to entrepreneurs for investments up toRs. 99 crores The applicable capital subsidy amount under section (1) of Incentives offered will be split as follows:	

S No.	Incentives	Zone-1	Zone-2
		(c) 50% of the approved outlay on meeting requisite development milestone	
		(d) 50% of the approved outlay as interest subsidy over five years, on meeting requisite interest/obligations from Banks/FIs and financial milestone	
		The interest subsidy provided will not exceed the cap as mentioned under section (1) of Incentives offered, in any case	

(20) Planned Budget Outlay for the Policy period (2013 – 2018)

The planned budgetary outlay for the new textile policy during the policy period of from April 1, 2013 up to March 31, 2018 will be Rs. 1000 crores (Rs. One Thousand crores only) across the various interventions. The year wise, intervention wise allocation plan for the planned budget outlay is as shown in **Annexure 6**.

(21) Single Window Clearance

- (a) To encourage investment in textile and garment sectors, the process for granting permissions / licenses will be expedited. Effective steps will be taken for providing Single Window Clearance for all types of clearances required for setting up of textile and garment units under the Karnataka Industries Facilitation Act - 2002
- (b) In order to expedite clearances under the Single Window Clearance mechanism, provided to the textile and garment industry through the Industries Facilitation Act-2002, the committees formed under the Act would be broad based as follows;
- (i) The Minister for Textiles, Government of Karnataka would be included in the State High Level Clearance Committee (SHLCC)
- (ii) The Commissioner for Textile Development and Director of Handlooms and Textiles, Government of Karnataka would be included in the State High Level Clearance Committee (SHLCC) and the State Level Single Window Clearance Committee (SLSWCC)
- (iii) The District Level Officers of the Department of Handlooms and Textiles would be included in the District Level Single Window Clearance Committee (DLSWCC).
- (iv) Entrepreneurs setting up units / facilities in the State shall submit their duly filled Combined Application Forms, as provided under the Karnataka Industries Facilitation Act-2002, to the Nodal Agency, with intimation to the Department of Handlooms and Textiles

- (v) A facilitation desk will be created in the Department of Handlooms and Textiles to facilitate the clearance of projects from the concerned Departments. The SMA would support this facilitation desk to expedite project clearances and carry out the necessary documentation with respective Departments / Agencies

(22) Review / Monitoring:

- (a) For the effective implementation of this policy, the following committees would be set up;
 - (i) A High Level Empowered Committee (HLEC) set up under the Chairmanship of the Minister for Textiles, Govt. of Karnataka. Commissioner for Textile Development and Director of Handlooms and Textiles would be the Member Secretary/Convener of the Committee. The Committee will comprise of representatives of the related Departments of the Government of Karnataka, R&D institutions and Industry Associations. HLEC would be responsible for taking necessary decisions to implement the Policy and for monitoring the projects under the policy. The HLEC would hold periodic reviews for the policy implementation and also carry out reallocation of funds across various interventions, depending on the demand from the industry. This would help in ensuring complete utilization and providing advisory inputs to the State Level Project Implementation Committee (SLPIC) for effective implementation of the policy
 - (ii) A State Level Project Implementation Committee (SLPIC) has been set up under the Chairmanship of the Secretary for Textiles, Commerce and Industries Department, Govt. of Karnataka. Commissioner for Textile Development and Director of Handlooms and Textiles is the Member Secretary/Convener of the Committee. The Committee comprises of representatives of the related Departments of the Government of Karnataka, R&D institutions and Industry Associations. SLPIC is responsible for development of detailed operational procedures for implementation of the policy and sanction and monitoring of the incentives for the projects under the policy
- (b) Detailed operating guidelines for each of the components of the policy will be prepared and published separately

(23) Administration of the Policy:

- (a) The Department of Handlooms & Textiles would be responsible for administering the policy throughout the State in a structured format. The current format of administration will be reviewed suitably. As the need of the textile and garmenting industry is getting more complex, a suitable structure to respond to the needs of the industry would need to be put in place. The structure would also look at creating appropriate facilitation and decision making for expediting project clearances, approvals and other day-to-day matters of implementation

- (b) Also, the technical textiles sub sector is gaining a fair amount of prominence in the textile value chain. It is therefore quite necessary for the Department of Handlooms & Textiles to have the requisite capacity, in-house, to respond to the needs of the industry. The format therefore would look at revamping existing set up suitably, to be able to respond to the needs of the industry and bridge the knowledge gap between all the concerned stakeholders in the sector
- (c) A scheme management (SMA) Shall be appointed for implementations of Karnataka new textile policy 2013-18.
- (d) The SMA assignment would involve, complete array of services from assisting the DH&T in development of operational guidelines for each of the components of the Policy and updating them from time-to-time based on the need, sensitizing and identifying the potential Projects proponents, providing need based support to Project proponents in formalizing their proposals. The SMA would assist DH&T in appraising and sanctioning suitable proposals
- (e) SMA would assist DH&T in release of the grant for the projects, establishment & structuring of Special Purpose Vehicle/ other projects specific implementation structure, assisting project proponents in availing the bank credits if required, enlisting the support from other stake holders/ schemes that have synergy with the Projects, obtaining necessary statutory approvals, identifying and selecting third party expertise for services pertaining to the scheme, monitoring the implementation, developing appropriate O&M framework, establishing IT enabled Project Management System for better monitoring
- (f) Additional support for Human Resources Development (HRD) Projects will be provided by the SMA. The work here will involve reviewing the syllabus & suggesting appropriate changes in order to meet the demands of the industry, advising in establishing linkages with credible assessment and certification bodies and assisting on establishing linkages to potential employers
- (g) In order to administer the policy, the Department of Handlooms and Textiles would co-ordinate with the various committees formed for implementation of the policy and with various stakeholders of the industry from time-to-time
- (h) For the purposes of Project development and Project management expenditure under the policy, 10% of the grant corpus is earmarked for all activities to be carried out by the Department of Handlooms and Textiles
- (i) The various activities to be carried out as a part of administering the policy in the State shall include, but not be limited to the following ;
 - (i) Dissemination of the Policy and its benefits to the industry
 - (ii) Conducting workshops at various locations in the State
 - (iii) Printing of brochures / flyers

- (iv) Hosting of website and maintaining the same
- (v) Conducting road shows by inviting industry players
- (vi) Visits of Officers of the Department of Handlooms and Textiles abroad for accompanying industry stakeholders in various road shows and market building initiatives
- (vii) Costs related to setting up of marketing intelligence unit within the Department of Handlooms & Textiles, or for outsourcing such activities, in order to create databases on marketing, labour information, etc. and aggregating inputs from various districts
- (viii) Active liaisoning and visits to units of the industry and various other stakeholders such as training institutes and other agencies
- (ix) Setting up of IT infrastructure for monitoring progress of implementation
- (x) Appointment of various consultants in case of carrying out specialized set of activities as may be desired from time to time
- (xi) Providing vehicles to the Directorate and all the District level Offices of the Department for effective implementation.
- (j) The investors who have set up investments during the previous policy period and have claimed incentives during the previous policy period would continue to be supported under the previous policy. Investors who have set up during the previous policy period, but have not claimed any incentives under the previous policy, will be given a time frame of 6 months (from the date of announcement of the new policy) to claim incentives under the new policy.

Annexure 1: A Snapshot of investments under Suvarna Vastra Neethi (2008-2013)

- (1) Karnataka is one of the few States in the country which has its own Textile Policy. The Government of Karnataka took a bold and aggressive step to promote investments in the textile & apparel sector and enable the State to meet its true potential in this sector. The Government announced its Textile Policy in the year 2008, as “Suvarna Vastra Neethi 2008-2013” for a period of five year
- (2) The Policy thrust was towards the holistic development of the sector. The focus areas for intervention were strengthening of the textile Value chain activities, Geographical dispersion of textile and garment units, Human resource development, Infrastructure development, Capacity building in terms of market development, design development and product diversification, Technology up-gradation of entire textile value chain and Standard & Compliance
- (3) During the Textile Policy period from 2008-2013, Karnataka has seen an investment close to Rs. 5710 crores in the sector. Projects worth of Rs. 3326 crores (approximately) are either under implementation or operational. The other projects are under various stages of approvals and discussions. These investments have not only been made in Ready Made Garments sector but also into other value chains of textiles like spinning, processing and weaving sector which is leading Karnataka to consolidate its textile sectors. The policy is providing employment to more than 3 lakh people in the State
- (4) Cluster based strategy approach was adopted to encourage small and medium enterprises. This aimed at achieving collective efficiencies in each aspects of business, such as infrastructure, financing of the project, sourcing of raw material, procurement of modern machineries and technology. Government of Karnataka through the textile policy has funded such cluster based textile parks to encourage integration of the manufacturing chain thereby increasing the market competitiveness
- (5) Government of Karnataka in addition supported the projects which got approved under the Scheme for Integrated Textile Park Scheme (SITP) of the Ministry of Textiles (MoT), Government of India. Those were Doddaballapur Integrated Textile Park, at Bangalore, which was inaugurated in July 2010 and Gulbarga Textile Park Private Limited which got approved in the year 2012
- (6) The Karnataka Industrial Areas Development Board (KIADB) has promoted a Textile Special Economic Zone at Hassan. Hassan SEZ provides substantial competitive advantages and is strategically located to serve as an international business hub for South-East Asia, Africa, Middle East Asia and SAARC nations
- (7) State Government provided special support to the mega projects which got approved under the Policy period. Investors in turn shown confidence in the State and implemented mega projects in various districts across the State such as Bangalore, Bellary, Shimoga, Mandya, Bijapur and Hassan

- (8) Apart from cluster and mega projects, numerous small and medium enterprises have been extended with fiscal support under the Textile Policy 2008-2013 all across Karnataka
- (9) The Textile Policy had special provision for Human Resources Development & Skill Up-gradation which is the most essential for an internationally competitive textile and garment industry. 145 dedicated skill development centres were approved under the Policy period. The policy also provided training support to around 250 institutes for skill development. Department of Handlooms & Textiles, Government of Karnataka through its various Human Resources Development & Skill Up-gradation initiative trained 1.17 lakhs beneficiaries during the Policy period
- (10) A dedicated team of the Government officials and a professional consultant as SMA, are continuously working to provide all the necessary support to the industries under the Textile Policy. IL&FS Cluster Development Initiative Limited has been engaged as the Scheme Management Agency (SMA) to the Department of Handlooms & Textiles (DH&T), Government of Karnataka for implementation of Suvarna Vastra Neethi – 2008-2013. IL&FS Clusters, assist DH&T in handholding investors and provide scheme management support across the State
- (11) Textile Policy 2008-2013, Targets and Achievements:

Year	Projected Investment (Rs. Crores)	Actual Investment Dec, 2012 (Rs. Crores)	Projected Employment	Actual Employment
2008-09	1000	774	50000	14,569
2009-10	1500	1090	75000	57,275
2010-11	2500	1034	125000	62,694
2011-12	2500	2105	125000	99,248
2012-13	2500	706	125000	33,267
Total	10000	5710	500000	2,67,053

(12) Sectoral Brief in Textile Policy 2008-2013:

(a) Investments (In Rs. Crores)

Year	2008-09		2009-10		2010-11		2011-12		2012-13 (Till Dec 2012)	
	Pro. Inv	Act. Inv	Pro. Inv	Act. Inv	Pro. Inv	Act. Inv	Pro. Inv	Act. Inv	Pro. Inv	Act. Inv
Handloom	2	1	3	0	5	-	5	0	5	-
Powerloom	50	2	75	1	125	35	125	32	125	2
Spinning	150	206	225	555	375	340	375	258	375	405
Processing	150	185	225	0	375	0	375	0	375	0
Garments	500	381	750	534	1250	659	1250	809	1250	299
Tech. Tex	148	-	222	-	370	-	370	1006	370	-
Total	1000	774	1500	1090	2500	1034	2500	2105	2500	706

(b) Employment

Year	2008-09		2009-10		2010-11		2011-12		2012-13 (Till Dec 2012)	
	Pro. Inv	Act. Inv	Pro. Inv	Act. Inv	Pro. Inv	Act. Inv	Pro. Inv	Act. Inv	Pro. Inv	Act. Inv
Handloom	1000	477	1500	27	2500	0	2500	50	2500	0
Powerloom	5000	40	7500	27	12500	354	12500	243	12500	124
Spinning	2000	1240	3000	1545	5000	3025	5000	2112	5000	2257
Processing	1000	1366	1500	12	2500	35	2500	25	2500	12
Garments	40000	11446	60000	55664	100000	59280	100000	94062	100000	30874
Tech. Tex	1000	0	1500	0	2500	0	2500	2756	2500	0
Total	50000	14569	75000	57275	125000	62694	125000	99248	125000	33267

Annexure 2: Spinning Sector Rehabilitation Package

(1) Karnataka's Spinning Industry

- (a) Karnataka is an important cotton growing State in the country. Cotton is cultivated in about 5.5 lakhs hectares of land and the State produces about 3.5% of the total cotton produced in the country
- (b) Although Karnataka produces about 3.5% of the total cotton produced in the country; there are only 31 spinning mills in the state with a total capacity of about 8 lakh spindles
- (c) In the Co-operative Sector there are 10 Co-operative spinning mills in the State of which 3 mills are working on their own funds, 3 are working on conversion basis and 4 have suspended their operations
- (d) The mill sector is facing major problems on the account of various reasons such as outdated machinery in use, lack of skilled labour available, increasing power costs (due to higher unit costs + use of diesel gensets to keep the production going) and to top it all stiff market conditions
- (e) For keeping the spinning sector viable, there is a dire need of bringing in modern technology, this is important as the spinning process is qualitative and the output is affected by the quality of fibre and the cleaning process of the raw material

(2) Way Forward

- (a) Although Karnataka has a well-developed Garment Industry, however it is an irony that most of these garmenting units satisfy their fabric requirements from mills in other parts of the country like Tamilnadu, Maharashtra, Gujarat and Punjab
- (b) Having value chain activities in the State enables that the garmenting output to be more profitable in nature. When margins are higher, better pricing enables the industry to bag larger orders, which sets the ball rolling for the entire value chain
- (c) In order for the State to be self-sufficient in the textile value chain, it is critical that the spinning sector is supported to take up expansion and modernization. In order to modernize the existing sick cooperative mills

(3) Rehabilitation Package Proposed

- (a) **Objective:** To facilitate rehabilitation of sick cooperative spinning mills and provide relief
- (b) **Eligibility:** Sick cooperative spinning mills undertaking expansion and modernization:

(c) **Funding:** The incentives will be disbursed only on approval of loan by Banks / FIs / any Other lending institution as approved by RBI, and release of the first installment of the loan to the unit

(i) **Credit Linked Capital Subsidy:** A credit linked capital subsidy would be provided to all eligible units, during the policy period for Expansion / Diversification/ Modernization & Technology Up-gradation. The assistance will be provided at 20% on the value of new fixed assets created or Rs. 2 crores, whichever is less

(ii) **Interest Subsidy:** In order to facilitate the Entrepreneurs, interest subsidy will be provided as a part of the overall package as follows:

(aa) 50% of the approved outlay as capital subsidy on meeting requisite development milestone

(bb) 50% of the approved outlay as interest subsidy over five years, on meeting requisite interest/obligations from Banks/FIs and financial milestone

The interest subsidy provided will not exceed the cap as mentioned under section (1) of Incentives offered, in any case

However, for the purposes of the Rehabilitation of the Spinning sector, the units being covered under this package can avail either full Capital Subsidy or a combination of part Capital Subsidy and part Interest Subsidy

Annexure 3: Budget Provision for 2013 – 2014 through various schemes implemented by the department for the unorganized Hand Loom and Power Loom sector

Component	Hand Loom Sector	Power Loom Sector	Both	Total
General	Rs in Lakhs			
Welfare schemes (Living cum work sheds, Group insurance, Health insurance, Thrift fund, Credit card etc.,	5820.28		5.00	5825.28
Infrastructure, marketing & Other developmental schemes (Rebate, IHDS, Power subsidy, Providing Power Looms to Hand Loom Weavers, NABARD schemes, Express feeders, Power Loom parks, Marketing complex, Common facilities Centres etc.,)	4327.54	5457.08	1170.00	10954.62
Special Development Plan			1000.00	1000.00
SCP	188.03		357.62	545.65
TSP	174.43		406.97	581.40
Total	10510.28	5457.08	2939.59	18906.95

Annexure 4: Zone Classification for Textile Policy Implementation 2013 – 2018

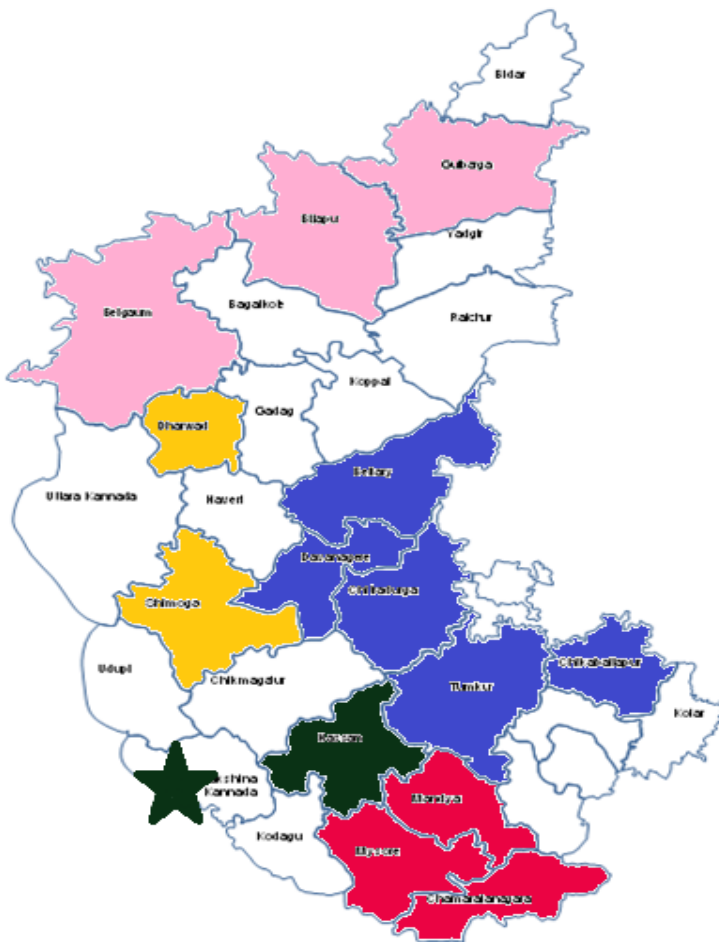
S No.	Zone 1	Zone 2	Zone 3
1	Bagalkot	Bangalore Rural	Bangalore Urban (With Exception of Anekal which is in Zone 2)
2	Belgaum	Chickmagalur	
3	Bellary	Dakhsina Kannada	
4	Bidar	Hassan	
5	Bijapur	Mandya	
6	Chamarajanagar	Mysore	
7	Chikkaballapur	Ramanagara	
8	Chitradurga	Tumkur	
9	Dharwad	Udupi	
10	Davanagere		
11	Gadag		
12	Gulbarga		
13	Haveri		
14	Kolar		
15	Koppal		
16	Kodagu		
17	Raichur		
18	Shimoga		
19	Uttara Kannada		
20	Yadgir		

For the purposes of zone classification, the following would be followed:

- (1) All units coming up in the Corporation Limits and City Municipal Councils of Districts in Zone 1, will be classified as they are in Zone 2 for incentives and concession extension purposes
- (2) All units coming up in the Corporation Limits and City Municipal Councils of Districts of Zone 2 will continue to get incentives and concessions eligible under Zone 2
- (3) Zone 3 will not be extended any specific incentives, except for the following:
 - (a) Brownfield Cluster Development
 - (b) Common Effluent Treatment Plant & Hazardous Waste Disposal Facility
 - (c) Capacity Building Support
 - (d) Assistance for Resource Conservation & Environmental compliance
- (4) The reorganization has been made keeping in view that the geographic dispersion of units happen and they locate / collocate on the outskirts of the Corporation / TMC limits

Annexure 5: Potential Zones in Karnataka for development of Textile Industry

The textile industry occupies an important position in the industrial landscape of Karnataka by way of its contribution to industrial production, employment generation and export earnings. Hence the Policy thrusts holistic growth of the sector and overall development of the State. To achieve this, geographical dispersion of textile units and creation of skilled man power is essential. In this context, Department of Handlooms & Textiles, Government of Karnataka identified five potential zones on the basis of raw material availability, presence of textile activities, people employed and manpower available. These five zones are North, South, East, West and Technical Textiles zone. Further these zones are classified into districts, as mentioned below:



Location	Districts
North	(1) Belgaum (2) Bijapur (3) Gulbarga
South	(1) Mysore (2) Chamarajanagar (3) Mandya
West	(1) Dharwad - Hubli (2) Shimoga
East	(1) Tumkur (2) Chikkaballapur (3) Bellary (4) Davanagere (5) Chitradurga
Technical Textile	(1) Hassan (2) Mangalore

Annexure 6: Budget for Karnataka Textile Policy 2013-2018

S No	Incentive						
	Year	1	2	3	4	5	Total
	Expenditure Phasing	10%	15%	25%	30%	20%	Rs crores
1	Credit linked Capital Subsidy	5.24	7.86	13.09	15.71	10.47	52.37
2	Interest Subsidy	4.01	6.02	10.04	12.04	8.03	40.14
3	Entry Tax Reimbursement	2.20	3.30	5.50	6.60	4.40	22.00
4	Stamp Duty Reimbursement	0.45	0.68	1.13	1.35	0.90	4.50
5	Common Infra for Greenfield Parks	7.50	11.25	18.75	22.50	15.00	75.00
6	Brownfield Cluster Development	6.00	9.00	15.00	18.00	12.00	60.00
7	Specific Textile Zones in Backward Areas	7.00	10.50	17.50	21.00	14.00	70.00
8	Power Subsidy	20.00	30.00	50.00	60.00	40.00	200.00
9	Common Effluent Treatment Plant	1.40	2.10	3.50	4.20	2.80	14.00
10	Mega Project	15.00	22.50	37.50	45.00	30.00	150.00
11	Capacity Building	2.00	3.00	5.00	6.00	4.00	20.00
12	Assistance for Resources Conservation and Environmental Compliance to existing units	0.04	0.06	0.10	0.11	0.08	0.38
13	HRD & Skill Up-gradation	20.00	30.00	50.00	60.00	40.00	200.00
14	Centre of Excellence for Textiles	1.00	1.50	2.50	3.00	2.00	10.00
15	For Existing Units- Expansion/ Diversification/ Modernization/ Technological Up-gradation	3.20	4.80	8.00	9.60	6.40	32.00
16	Scheme Administration	5.00	7.50	12.50	15.00	10.00	50.00
	Grand Total	100.04	150.06	250.10	300.12	200.08	1000.39 Say ~ Rs. 1000 crores