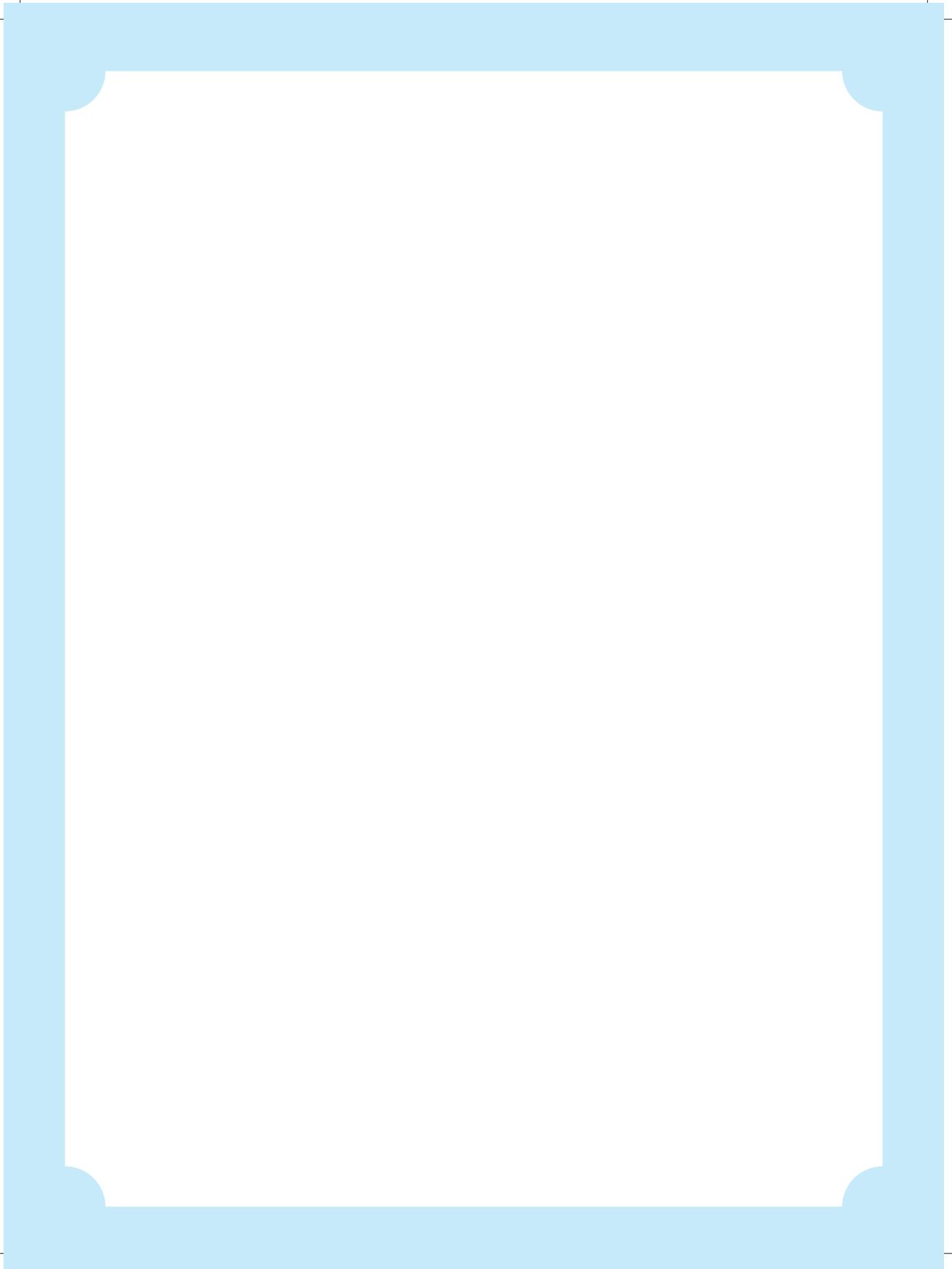




Government of Karnataka
Health and Family Welfare Department

Karnataka Pharmaceutical Policy, 2012

Drugs Control Department





JAGADISH SHETTAR

CHIEF MINISTER

em/ps/66/2013



VIDHANA SOUDHA
BANGALORE - 560 001

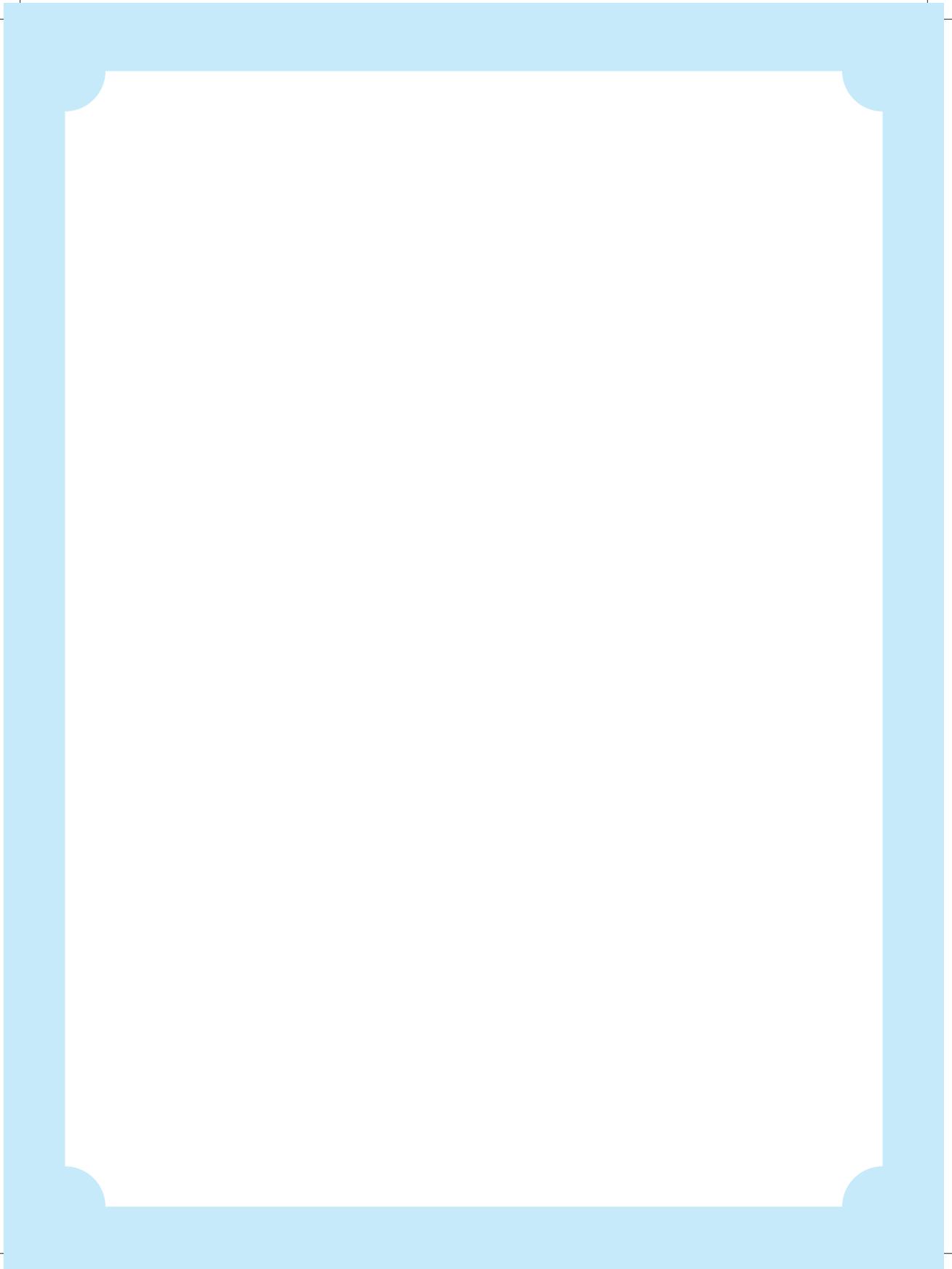
DATE 21-2-2013

MESSAGE

I am happy to know that Drugs Control Department, Government of Karnataka is bringing out an informative booklet on "**Karnataka Pharmaceutical Policy, 2012**" in Kannada and English. I send my greetings and best wishes and hope that the booklet will be useful for all stake holders and policy will bring remarkable development in the field of Pharmaceutical industry.


(JAGADISH SHETTAR)

Dr. B.R. Jagashetty,
Controler,
Karnataka State Drugs Control Department,
5377, Palace Road,
Bangalore -1 .





ARVIND LIMBAVALI
Minister for Health and Family Welfare

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No : MHWF/ 886/2012-13



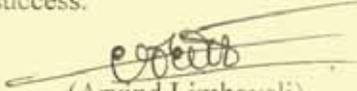
Telephone : 2226 7889
2203 5084
Room No. 234-235
2nd Floor, Vikasa Soudha
Bangalore

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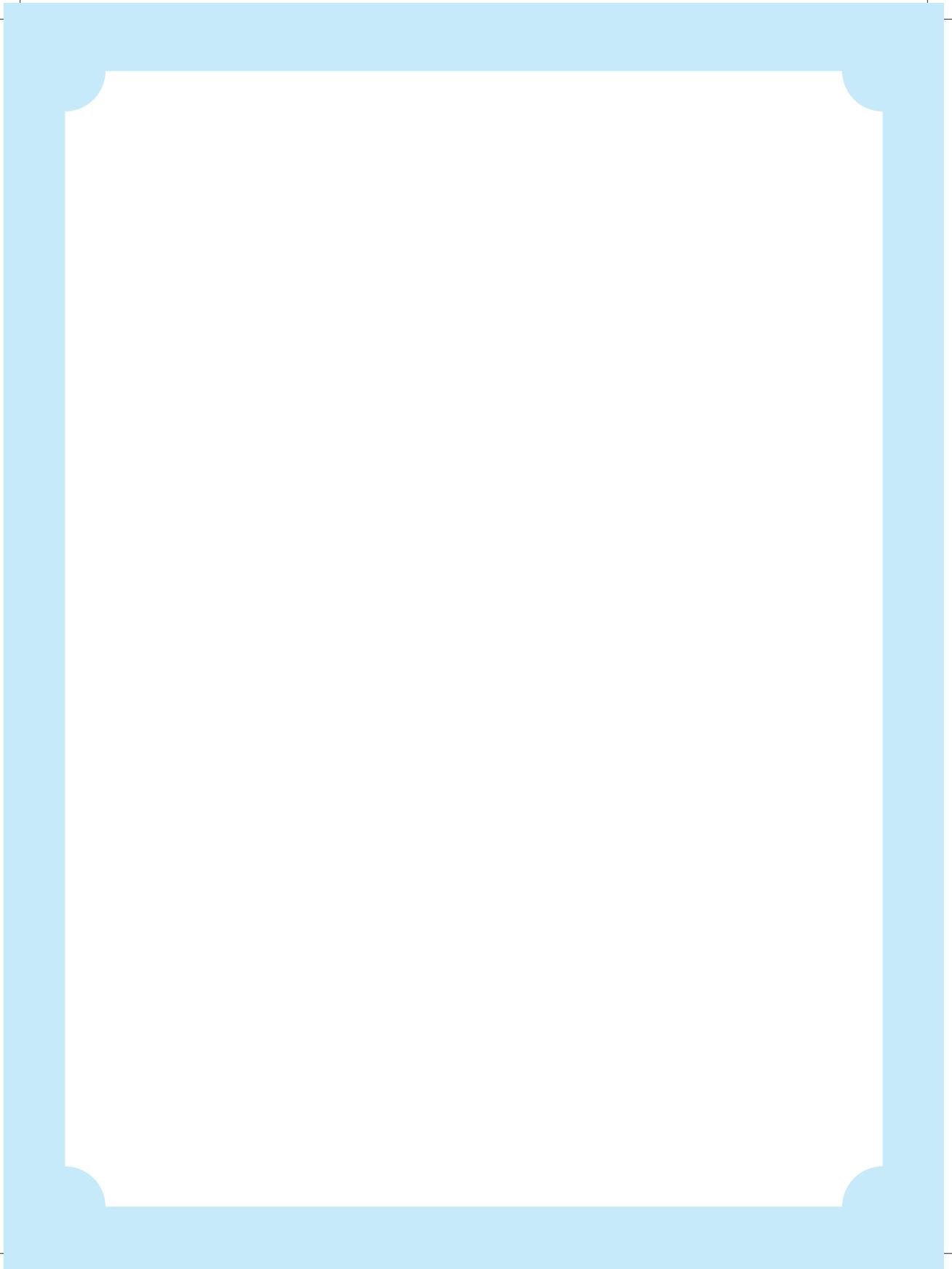
Message

I am happy to know that the “ **Karnataka Pharmaceutical Policy-2012**” has been formulated. I am extremely confident that this new “**Karnataka Pharmaceutical Policy-2012**” will bring Karnataka to the global pharmaceutical map and the pharmaceutical industry will boom in our State.

This new established policy makes Karnataka vibrant in Pharmaceutical sector which is bound to create additional employment opportunities for the people of Karnataka through inclusive development approach. Investors, Entrepreneurs, Technocrats, Academicians and other stake holders could participate in the envisaged progress. I wish the “ **Karnataka Pharmaceutical Policy-2012**” all success.


(Arvind Limbavali)

Drugs Controller,
Palace Road,
Bangalore.





M. Madan Gopal, I.A.S.,

ಸರ್ಕಾರದ ಪ್ರಧಾನ ಕಾರ್ಯದರ್ಶಿ
ಆರೋಗ್ಯ ಮತ್ತು ಕುಟುಂಬ ಕಲ್ಯಾಣ ಇಲಾಖೆ.

**PRINCIPAL SECRETARY TO GOVERNMENT
HEALTH & FAMILY WELFARE
DEPARTMENT.**



ದೂರವಾಣಿ : ಕಛೇರಿ - ೨೨೨೫೫೩೨೪
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ಫ್ಯಾಕ್ಸ್ : ೨೨೨೫೫೩೧೬

Telephone : Off: 22255324
22034234
Fax : 22353916

ಕೊಠಡಿ ಸಂಖ್ಯೆ : ೧೦೫ ಮೊದಲನೇ ಮಹಡಿ,
ವಿಕಾಸ ಸೌಧ, ಡಾ. ಬಿ. ಆರ್. ಅಂಬೇಡ್ಕರ್ ವೀಧಿ,
ಬೆಂಗಳೂರು - ೫೬೦ ೦೦೧.

Room No. 105, First Floor, Vikasa Soudha
Dr. B. R. Ambedkar Veedhi, Bangalore - 560 001
e-mail : prs-bfw@karnataka.gov.in

Date: 19.02.2013

PREFACE

It gives me a great pleasure to know that the "Karnataka Pharmaceutical Policy-2012" has been released now. A lot of efforts have gone from the Drugs Control Department and we are thankful to the Hon'ble Chief Minister and the Hon'ble Minister for Health and Family Welfare for approving this Policy. I am extremely confident that this new "Karnataka Pharmaceutical Policy-2012" will bring Karnataka to the global pharmaceutical map and the pharmaceutical industry will have conducive atmosphere for required all-round growth.

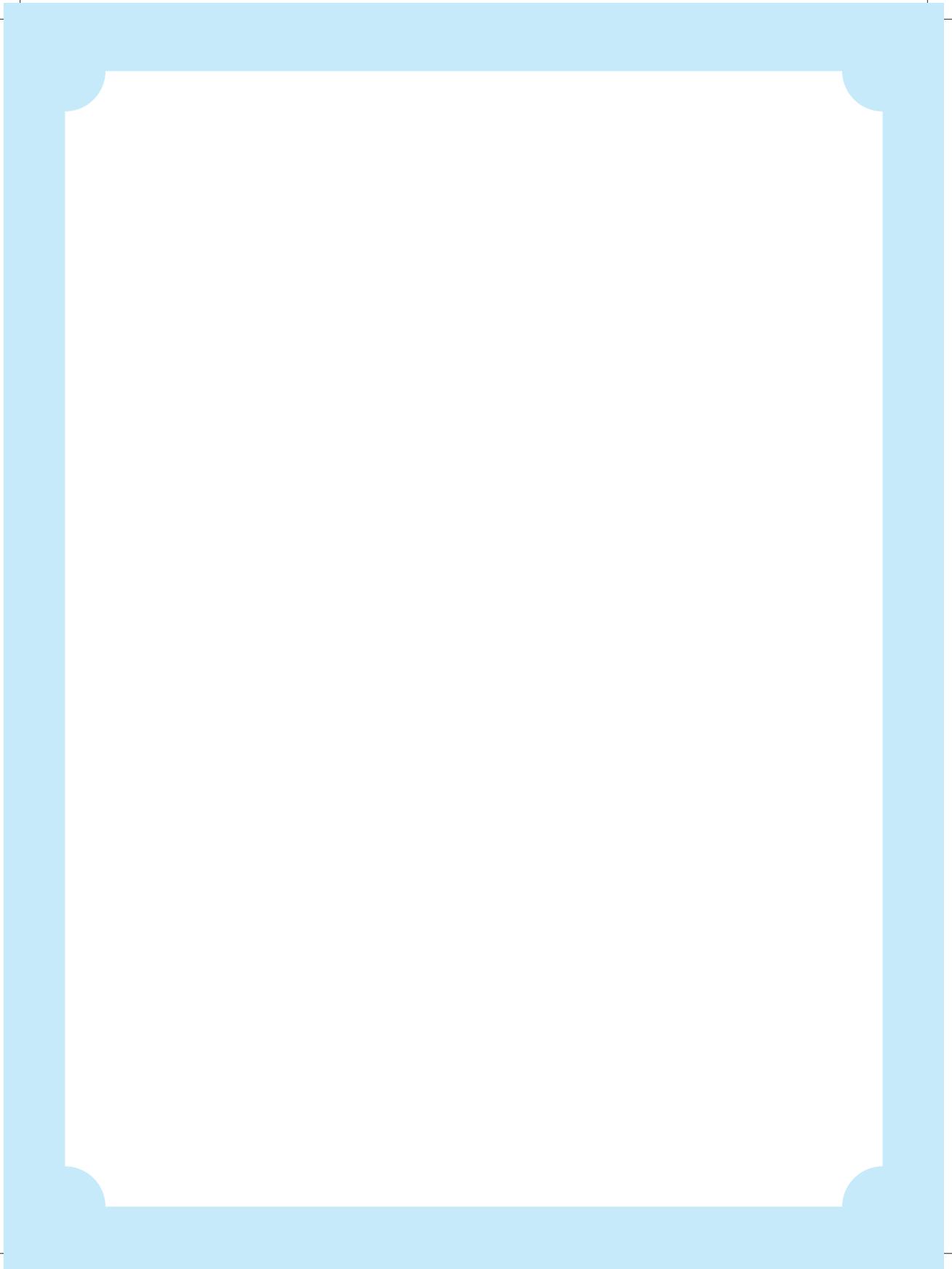
This opportunity sets the tone for Karnataka as the most preferred investment destination. This will emerge Karnataka as a research and innovation hub for pharmaceutical sector by leveraging academic, industry and R&D ecosystem. This new established policy makes Karnataka vibrant in Pharmaceutical sector which is bound to create additional employment opportunities for the people of Karnataka through inclusive development approach.

In this context, I appeal to all Investors, Entrepreneurs, Technocrats, Academicians and other stake holders to participate in the envisaged progress on sustainable basis.

While it is not only the Pharmaceutical industry which is in forefront of attention, it is all the allied and support industry which has the potential to growth. The industries such as enterprises in developing infrastructure for clusters, Human resources like Finishing Schools can provide readily employable manpower that will supplement the expectations as envisaged in the new policy.

I am sure New Policy will be a trendsetter for the country in the years to come.

(M. Madan Gopal)





Dr. B.R. JAGASHETTY
DRUGS CONTROLLER
FOR THE STATE OF KARNATAKA

ಕರ್ನಾಟಕ ಸರ್ಕಾರ - 2006



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OFFICE OF THE DRUGS CONTROLLER
for the State of Karnataka
Post Bag No. 5377, Palace Road
BANGALORE - 560 001

Date: 25/02/2013

PREAMBLE

On behalf of all the stake holders of pharmaceutical fraternity and allied industries, I thank Honorable Chief Minister of Karnataka, Honorable Minister for Health & Family Welfare and Principal Secretary for Health & Family Welfare for unveiling the "Karnataka Pharmaceutical Policy-2012".

The policy covers major segments of pharma sector viz., bulk drugs, drugs intermediate, bio-pharmaceuticals and formulations for the rapid development by providing a level playing field to all investors.

The Karnataka Pharmaceutical Policy – 2012 provides for creation of Specialized Infrastructure like Pharma Parks and Special Economic Zones.

An impetus to Pharmaceutical Research and Development would facilitate convergence of knowledge from both existing centers of excellence and from those who are the anvil. This would provide a strong bond to the Industry – Academia relationship in evolving innovation.

In order to ensure consistent growth of the pharmaceutical sector, Institutional support from various organizations like Pharmexcil, Vision Group on Pharmaceutical Industry, Karnataka Pharmaceutical Development Council (KPDC), shall be in place.

While special focus shall be provided to attract major pharmaceutical industries, provision of attractive incentives are in place to encourage Micro, Small and Medium Manufacturing Enterprises. Incentives like Exemption from Stamp Duty, Concessional Registration Charges, Waiver of Conversion Fine, Exemption from Entry Tax (ET)etc. Similarly, Exports are encouraged through various incentives like Exemption from payment of Entry Tax (ET) and Refund of Certification Charges. Other attractive measure include Subsidy for setting up ETPs by MSME, Large and Mega Projects, Interest free loan on VAT, Anchor Unit Subsidy etc.

Activities involving Water harvesting / Conservation Measures, Energy Conservation are encouraged through various incentives.

In order to ensure quality and system awareness, support is provided through various schemes for Technology adoption, incubation and Up gradation. Similarly incentives are provided for Quality Certification - ISO series certification, BIS Certification and Patent Registration.

An overriding Incentives & Concessions for Pharmaceutical Sector over & above the Industrial Policy are provided right from the inception of the Pharma park in Equity , Common testing laboratory, cold storage & warehousing, Common Effluent Treatment Plant.

Karnataka has a strong base of educational institutions imparting courses in pharmacy. Currently, the State has about 75 undergraduate and 40 postgraduate colleges. In addition, Centers of Excellence like Indian Institute of Science, Jawaharlal Nehru Centre for Advanced Scientific Research, etc., also exist in the State providing much required education supporting the pharmaceutical sector.

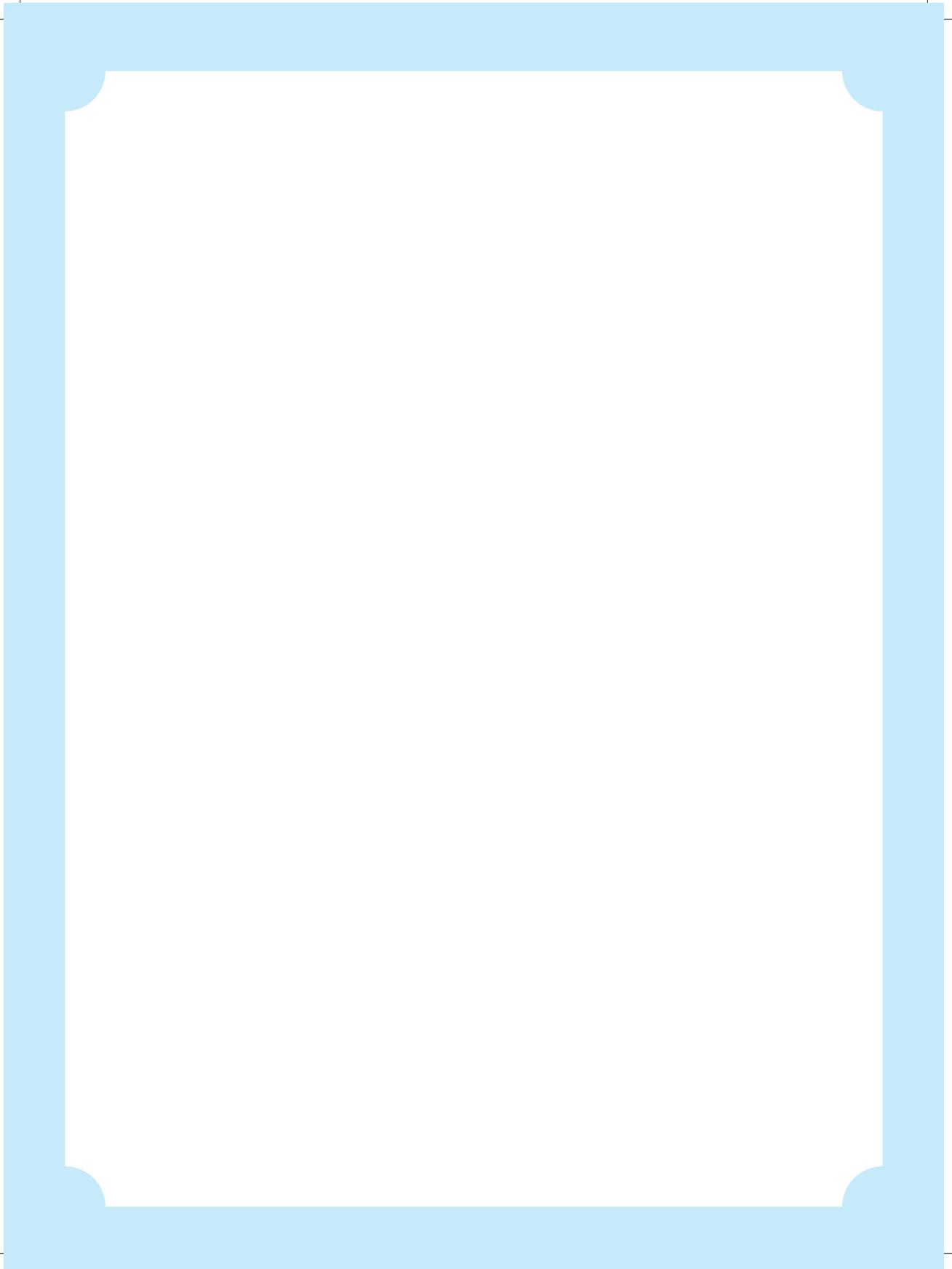
I wish the entire fraternity of pharmaceutical manufacturers, education and CRO to make use of this incentive and thrust given by the Karnataka Government and grow the industry in the State of Karnataka.

Please accept my heartiest congratulations and best wishes on this important occasion and successful implementation of this policy.


(Dr. B. R. JAGASHETTY)

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Proceedings of the Government of Karnataka

Sub: Formulation and Publication of a separate "Karnataka Pharmaceutical Policy 2012" for the development of drugs concern – reg.

Preamble

In the Budget Speech for the year 2012-13, an announcement was made with regard to the formulation of a separate comprehensive policy for the development of drugs concern. Accordingly, after discussing the matter in detail with the units engaged in the field of manufacturing drugs, the Drugs Control Department has prepared a draft Pharmaceutical Policy, 2012 by keeping in mind the points of Biotech Policy and Industrial Development Policy and has forwarded the same to the Government for further action.

The Government having noticed the necessity of formulating a separate policy for the comprehensive development of drugs manufacturing field has thoroughly examined, the points contained in the draft Pharmaceutical Policy, 2012, submitted by the Drugs Controller regarding the matter of developing large scale medicines, intermediate medicines and Bio-medical products, the important branches of the pharma field, through a such field where all the investors can take equal participation and also observed the points contained in Biotech Policy and Industrial Development Policy of the State.

For the development of Pharma field, consultation has been made with the Cabinet and the various departments of the Government in regard to Karnataka Pharmaceutical Policy 2012, which is being implemented by the state government.

In the backdrop of giving more importance to the field of medicine, though the druggists who are engaged in the field of medicine have already been eligible for getting few incentives. Government is intends to provide some more incentives to them. Hence the following Order:-

Government Order No.HFW 95 IMM 2012 Bangalore,

Dated: 24.01.2013

In view of of the points explained at preamble, approval has been accorded for preface, annexure-1, 2 and 4 included in the industrial policy and also to the "Karnataka Pharmaceutical Policy,

2012, enclosed along with this Order placed at annexure-3, for the development of drugs manufacturing field in the state.

The Government is the only Competent Authority for taking action regarding any change/modification if any matter contained in the "Karnataka Pharmaceutical Policy, 2012, which is being implemented at present.

This order has been issued as per the concurrence given by Finance Department vide U.O. Note No.681/5, 2012 dated: 02.06.2012.

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


(K.N. Hariniyamma) 21/1/13

Under Secretary to Government,
Health and Family Welfare Department
 (Indian Medicine System)
(Tel.No.22034292)



Karnataka Pharmaceutical Policy 2012

1.0 Introduction

Karnataka is one of the fastest growing states of the Country in pharmaceutical sector and currently ranks fifth in pharmaceutical exports. State contributes around 10% to the Indian pharmaceutical export revenues. Presently, over 230 pharma and bio-tech companies are housed in the State and achieved a total turnover of about Rs.6,500 crore in 2010-11, registering a growth of 10% over the previous year. A host of reputed and globally known pharmaceutical companies functioning in the State have brought name and fame to Karnataka.

The Government is committed for over all development of industry and service sector across the State. A host of sector specific policies are in place in the state which is giving required impetus to the growth and development of respective sectors. Karnataka Industrial Policy 2009-14 has been serving as a Master Policy in guiding the orderly development of industries in the State.

The Millennium Biotech Policy 2001 and subsequent Biotech Policy announced in 2006 have laid down a strong foundation for the pharmaceutical industry. Due to these visionary policies and encouragement several Indian and international companies have already started operations in Karnataka, making the region a hotspot for pharmaceutical services.

Today, Karnataka is recognized world over for its manufacturing capabilities and acknowledged as a source of high quality and affordable generic medicines. State has several modern plants with international regulatory certifications.

The Indian pharma industry is expected to grow at a CAGR of 15-20% and achieve a turnover of US\$ 50 billion by 2020. The Active Pharmaceutical Ingredients (API) market is expanding at a rapid pace and formulation manufacturers have vast opportunities due to the upcoming patent cliff.

Karnataka intends to maintain its leadership position in biopharmaceutical manufacturing which accounts for 60% share of the total biotech sector in India, valued at over Rs.17,000 crore in 2010-11.

At present, Karnataka has only a few dedicated bio-pharmaceutical companies manufacturing monoclonal antibodies (MAbs) which primarily include drugs targeted against cancer, as well as insulin and vaccines that are produced using cell culture. A strong strategy is necessary for Karnataka to maintain its leadership position in this highly specialized area. As biopharmaceutical products set to capture a quarter of the global pharmaceutical market by 2016, the State needs to strengthen its prime position by taking proactive steps.

Internationally many top selling drugs are on the verge of losing patent protection in the near future. This will throw a huge potential for the State to enhance its manufacturing base.

The National Manufacturing Policy announced by Government of India on 4th November, 2011 acknowledges that India's large domestic market coupled with a strong engineering base has created indigenous expertise and cost effective manufacturing in pharmaceuticals apart from other sectors. The Policy emphasizes the necessity of formulating special programmes to consolidate strong industry base to retain the global leadership position.

Keeping these points in view, the State recognizes the necessity to formulate an exclusive policy for promotion of pharmaceutical sector in a holistic way. The policy covers major segments of pharma sector viz., bulk drugs, drugs intermediate, bio-pharmaceuticals and formulations for the rapid development by providing a level playing field to all investors.

2.0 Vision

To make Karnataka a vibrant pharmaceutical manufacturing hub by leveraging the strengths of knowledge based institutions and skilled human resource of the State, to provide innovative, quality and affordable health care solutions to the masses.

3.0 Objectives

- 3.1 To build a leadership profile for Karnataka in the pharmaceutical sector on a platform of affordable medication and inclusive economic development.
- 3.2 To make Karnataka a most preferred investment destination for the pharmaceutical sector.
- 3.3 To emerge as a research and innovation hub for pharmaceutical sector by leveraging academic, industry and R&D ecosystem.
- 3.4 To create additional employment opportunities for the people of Karnataka through inclusive development approach.

4.0 Strategies

- 4.1 Providing ready-to-use infrastructure for establishing pharmaceutical enterprises on cluster concept through Pharmaceutical Parks at potential locations of the State.[Ref. Annexe-3 (1(a, b & c))].
- 4.2 Focus on human resource development to make available readily employable manpower at all levels to the pharmaceutical sector.[Ref. 5.4].
- 4.3 Marketing support to Karnataka-based companies through price preference in Government tenders.[Ref. Annexe-3 (2)].
- 4.4 Showcasing Karnataka's pharmaceutical sector through regular road shows and sector specific events like Pharmacia once in two years.[Ref. Annexe-3 (3(a & b))].
- 4.5 Enhancing facilitation mechanism enabling investors to set up projects with ease and less transaction cost. [Ref. Annexe-3 (4)].

4.6 Encouraging pharmaceutical industrial sector through various additional incentives & concessions. [Ref. Annexe-2 & 3].

4.7 Strengthening administrative machinery to monitor and ensure quality and best practices adopted in manufacturing process to safe guard the public health. [Ref. 5.12].

5.0 Policy Measures

5.1 Specialised Infrastructure for Pharma Sector

5.1.1 Pharma Parks

Karnataka is striving to provide quality infrastructure facilities like land, water, power and connectivity for growth of industry and trade across the State. Pharmaceutical sector requires specialized infrastructure for the orderly growth. It is a global experience that, clustering and agglomeration enhances supply chain responsiveness, provides easier access to market, talent and substantially lowers logistics costs. To take advantage of this concept, it is proposed to develop Pharmaceutical Parks in potential locations of Karnataka through Public Private Partnership.

These parks shall be equipped with comprehensive infrastructure facilities like common effluent treatment plant (CETP), common testing laboratory, cold storage with warehousing, stand-alone power station, etc. Facilities for housing will also be created with all basic amenities facilitating the concept of ‘walk-to-work’ in these parks. Support mechanisms and incentives available under other policies like Infrastructure Policy, Bio-tech Policy would be dovetailed for setting up such parks [Ref Annexe-3 (1)].

5.1.2 Special Economic Zones

In order to promote exports from pharma sector, setting up of Special Economic Zones (SEZs) in the State would also be encouraged under the provisions prevailing in the SEZ Policy of Karnataka. Promoters of SEZs and also units in the SEZs will be offered incentives and concessions as per the SEZ Policies of the State and Government of India.

5.2 Research and Development

With a large number of educational institutes and pharmaceutical companies, Karnataka possesses the requisite knowledge base and capabilities to drive cost efficiencies. This offers an immense potential for research and development in the State. Policy encourages setting up R&D institutions related to pharma sector to leverage the strengths already available in the State. Supportive fiscal incentives would be provided for promoting collaborative R&D activities initiated by industry and academia. [Ref. Annexe-3 (5(a))].

Innovation is the key for sustained development of pharma sector in the emerging global scenario. To encourage research projects taken up in collaboration with industry and institutions, they will be supported through financial grant to partially mitigate the huge cost involved in such research projects including approved Bio-availability and Bio-equivalence studies and authorized clinical trials. [Ref. Annexe-3 (5(b))].

Obtaining patents to protect Intellectual Property Rights (IPRs) will be encouraged by way of financial incentives for registration in India and in other countries.[Ref. Annexe-3 (5(c))].

5.3 Educational Institution Network

Karnataka has a strong base of educational institutions imparting courses in pharmacy. Currently, the State has about 75 undergraduate and 40 postgraduate colleges, some of which are highly reputed. In addition, Centres of Excellence like Indian Institute of Science, Jawaharlal Nehru Centre for Advanced Scientific Research, etc., also exist in the State providing much required education supporting the pharmaceutical sector.

The Government will support the selected & reputed pharmaceutical educational institutions in setting up Finishing School for Pharmaceutical Learning across Karnataka. These schools will endeavor to impart industry-specific skills that will enhance the contributions of new entrants into the sector as well as existing employees. The courses would include vocational

training in pharmaceutical plant operations, entrepreneurship development in Pharmacy, herbal drug technology, research skill developments, quality control, manuscript writing, patent, cGMP regulations and other regulatory affairs.

The Government may support one Finishing School initially, selected by vision group & monitored by KPDC and accreditation from recognized university. The State Government will provide financial support upto 25% of the cost subject to maximum of Rs.1.00 crore per Finishing School, towards setting up necessary laboratory instruments & other technology related gadgets and equipment required to train the students.

Government will also provide stipend to students undergoing training in these Finishing Schools in order to meet the shortage of skilled workforce readily employable in pharma industry.

5.4 Focus on Mega projects

Pharmaceutical market in India is highly fragmented and major players control about 70% of the market. There is a need to create manufacturing capabilities matching with the global giants to compete in the world market. Policy lays special focus on attracting mega pharmaceutical projects to Karnataka and makes it globally competitive.

While offering attractive package of incentives and concessions to MSME sector, Policy provides special incentives and concessions to attract mega projects as such projects are bound to create a large scope for ancillaries, downstream and supporting activities. [Ref. Annexe-2 (10 & 11)].

5.5 Venture capital funds

Budding entrepreneurs in the pharmaceutical sector may require monetary support at the initial stage to venture into industry. To provide need based equity support for such entrepreneurs, the State Government will set up a Venture Capital Fund with a corpus of Rs.50 crores with contribution of

26% from Government. Remaining funds will be contributed by the private sector such as industries, financial institutions and private investors.

5.6 Power and water supply

Government endeavor to provide uninterrupted and quality power supply to pharmaceutical projects. Projects are provided with adequate water supply wherever possible. Industries are also encouraged to augment water supply from available nearby sources to meet their requirements. Further, industries are supported to go for non-conventional energy sources like solar, wind, bio-fuel, utilisation of solvent waste for boiler, etc., for their requirements. Adoption of rain water harvesting, water recycling and other conservation measures will also be supported by incentives. [Ref. Annexe-2 (15 & 16)].

5.7 Effluent treatment plants

5.7.1 Individual Effluent Treatment Plants

Since pharmaceutical industries generate large volumes of industrial waste, so, effluent treatment plants are essential. Industries are supported to put up stand-alone effluent treatment plant to mitigate pollution related problems by way of one time fiscal incentives. [Ref. Annexe-2 (8)].

5.7.2 Common Effluent Treatment Plants

Common Effluent Treatment Plants (CETPs) to be established in PPP model in Pharma Parks, SEZs and other clusters of pharmaceutical industries will also be supported by way of one time grant to augment investments on such CETPs. [Ref. Annexe-3 (1(c))].

5.8 Go green initiatives

Pharmaceutical companies, which take steps for reducing waste generation at source or recycling of wastes will be encouraged to reduce wastes in manufacturing activities. Such initiatives will be supported by providing subsidy upto 50% of the cost subject to a maximum of Rs.50 lakhs.

The government also proposes setting up waste exchanges with private participation which will help transferring waste materials to another company for use as is or for reuse after treatment.

5.9 Cold-chain facilities

Government encourages industry in creating a distribution network for the temperature controlled transportation of temperature sensitive pharmaceuticals throughout the supply chain. Purchase of refrigerated vans by industry for captive use will be considered as part of capital investment of the unit.

5.10 Quality Assurance

Administrative machinery will be strengthened by providing additional manpower and modern facilities in terms of appointing more Enforcement Officers and Drug Testing Laboratories with adequate state of the art testing equipments.

5.11 Incentives and Concessions

5.11.1 Industrial Policy 2009-14

As an attempt to provide a level playing environment to pharmaceutical sector, attractive package of incentives and concessions is provided for investments. Package of Incentives and Concessions offered for investments in this Policy shall be on the similar lines of package of incentives as detailed in Annexe-2, Karnataka New Industrial Policy 2009-14 announced by Government of Karnataka vide G O No. CI 233 SPI 2008 Bangalore dated 28.02.2009. Over and above the package of incentives offered in the Industrial Policy, certain additional incentives shall be offered for pharmaceutical sector covered in this Policy.

For the purpose of offering package of incentives and concessions, 176 taluks of the State have been categorized into four Zones. The classification of taluks into Zones is at Annexe-1.

Package of incentives & concessions offered in this Policy for investments is at Annexe-2.

Additional Package of Incentives to Pharmaceutical sector is at Annexe-3.

Definitions and terms & conditions for sanction of incentives and concessions are at Annexe-4.

Whenever the package of incentives offered in the Industrial Policy is modified, same modifications shall be made automatically applicable to this Policy also.

5.12 Institutional Support

5.12.1 Pharmexcil

In order to extend necessary support for export oriented pharmaceutical industries, the State Government will prevail upon the Union Government to set up a branch of Pharmaceutical Export Promotion Council (Pharmexcil) in Bangalore. Setting up a branch in the State would facilitate companies to obtain required certificates from the council locally and is also expected to facilitate industries to avail the benefits of various schemes being operated by the Council.

In order to showcase the strengths and opportunities in pharma sector, a biennial event – Pharmacia would be organized in the State in association with industry and other stakeholders. The government extend 50% support not exceeding Rs. 6.00 crores for each event.

5.12.2 Vision Group

A Vision Group will also be constituted under the Chairmanship of an eminent personality from the Pharmaceutical sector, having members from industry, institutions and government. This Vision Group will guide the Government on various strategies and actions required to be initiated for rapid and healthy growth of pharmaceutical sector in the State from time to time.

A provision upto Rs.25.00 lakhs will be provided to meet the recurring cost.

5.12.3 Karnataka Pharmaceutical Development Council (KPDC)

Karnataka Pharmaceutical Development Council (KPDC) will be constituted by the Government to serve as a dedicated single point contact for pharmaceutical sector. This council will extend all facilitation services for investors and act as a link between Government and investor. Investors will be provided handholding support and escort services from the council. The council will also provide required literature, information and other details helpful to take decisions by the investors. KPDC will also receive and process applications from investors for necessary approval of the projects by the respective competent authorities / committees. In addition to this, it will monitor the overall activities of Finishing Schools (5.3).

A budgetary provision of Rupees one crore would be made for initial expenditure and recurring expenditure upto Rs.25 lakhs per annum would also be provided by the government for effective functioning of the Council.

5.13 Implementation and Monitoring

A high level Inter-departmental Monitoring and Review Committee under the Chairmanship of Chief Secretary to Government will be constituted having members from all the Departments / Agencies involved in implementation of the Policy. This Committee will regularly monitor implementation of various provisions of the Policy and ensure issue of necessary Government Orders by various departments in relation to the Policy. The Committee is empowered to make mid-course corrections, if required for smooth implementation of the policy. KPDC will provide the secretarial services to this Committee. The Govt. support by providing Rs.75.00 lakhs per year to meet the recurring cost.

* * *

Annexe - 1

Classification of Taluks in Karnataka into Zones for the purpose of administering Incentives & Concessions

Sl. No.	Districts	Total No.of Taluks	Zone - 1 (Most Backward Taluks)	Zone - 2 (More Backward Taluks)	Zone - 3 (Backward Taluk)	Zone - 4 (Industrially Developed Taluks)
South Karnataka Region						
1	B'lore (U)	4	-	-	-	Anekal B'lore (North) B'lore (South) B'lore(East)
2	B'lore (R)	4		-	-	Devanahalli D B Pur Hoskote Nelamangala
3	Rama-nagara	4	Kanakapura Magadi	-	-	Ramanagaram Channapatna
4	Chitradurga	6	Hosadurga	Hiriyur Molakalmur Hololkere Challakere	Chitradurga	-
5	Davanagere	6	Channagiri Harapana halli	Honnali Jagalur	Davangere Harihar	-
6	Chikka-ballapura	6	Bagepalli	Gudibande Gowribidanur	Chikka-ballapura Siddlaghatta Chintamani	-
7	Kolar	5	-	Mulbagal	Kolar Bangarpet Srinivasapura Malur	-

Sl. No.	Districts	Total No. of Taluks	Zone - 1 (Most Backward Taluks)	Zone - 2 (More Backward Taluks)	Zone - 3 (Backward Taluk)	Zone - 4 (Industrially Developed Taluks)
8	Shimoga	7	-	Soraba	Shimoga Bhadravathi Sagar Shikaripura Hosanagara Thirthahalli	-
9	Tumkur	10	Kunigal Madhugiri Gubbi, Sira Pavagada	Turuvekere Koratagere Chikkanaya- kanahalli	Tumkur Tiptur	-
10	Chamaraja-nagar	4	Chamaraja-nagar	Gundlupet Kollegal	Yelandur	-
11	Chikka - magalore	7	-	Kadur	Chikka - magalore Tarikere Shringeri Mudigere Koppa N R Pura	-
12	D Kannada	5	-	-	Bantwal Mangalore (excl. Corpn. limits) Puttur Sulya Belthangadi	Mangalore (only Corporation limits)
13	Hassan	8	-	Arakalgud	Hassan Arasikere C R Patna H N Pura Belur Alur Sakleshpura	-

Sl. No.	Districts	Total No. of Taluks	Zone - 1 (Most Backward Taluks)	Zone - 2 (More Backward Taluks)	Zone - 3 (Backward Taluk)	Zone - 4 (Industrially Developed Taluks)
14	Kodagu	3	-	-	Madikeri Somwarpet Virajpet	-
15	Mandya	7	-	Malavalli Nagamangala K R Pet	Mandya Maddur Srirangapatna Pandavapura	-
16	Mysore	7	H D Kote	Hunsur T N Pura Nanjangud	Periapatna Mysore (excl. Corpn. limits) K R Nagara	Mysore (only Corporation limits)
17	Udupi	3	-	-	Udupi Kundapura Karkala	-
North Karnataka Region						
18	Bellary	7	Sandur Kudligi	Siraguppa H B Halli Hadagalli	Bellary Hospet	-
19	Bidar	5	Bhalki Humnabad B Kalyana Aurad	-	Bidar	-
20	Gulbarga	7	Sedam Chitapur Afzalpur Aland Chincholi Jewargi	-	Gulbarga	-
21	Yadgir	3	Shorapur Yadgir Shahapur	-	-	-

Sl. No.	Districts	Total No. of Taluks	Zone - 1 (Most Backward Taluks)	Zone - 2 (More Backward Taluks)	Zone - 3 (Backward Taluk)	Zone - 4 (Industrially Developed Taluks)
22	Koppal	4	Kushtagi Yelburga	Koppal	Gangavathi	-
23	Raichur	5	Sindanorr Manvi Lingasugur Devadurga	Raichur	-	-
24	Bagalkote	6	Bilagi	Hunagund Badami	Bagalkote Mudhol Jamkhandi	-
25	Belgaum	10	-	Athani Gokak Soundatti	Belgaum Khanapur Hukkeri Ramdurga Bailhongal Chikkodi Raibag	-
26	Bijapur	5	Muddebihal B Bagewadi Indi Sindgi	-	Bijapur	-
27	Dharwad	5	-	Kalghatagi	Dharawad Hubli Kundagol Navalgund	-
28	Gadag	5	-	Mundargi	Gadag Nargund Ron Shirahatti	-
29	Haveri	7	-	Savanur Shiggaon Hirekerur	Haveri Ranebennur Byadagi Hanagal	-

Sl. No.	Districts	Total No. of Taluks	Zone - 1 (Most Backward Taluks)	Zone - 2 (More Backward Taluks)	Zone - 3 (Backward Taluk)	Zone - 4 (Industrially Developed Taluks)
30	U Kannada	11	-	Supa Bhatkal	Karwar Haliyal Sirsi Mundagod Yellapura Honnavar Ankola Siddapura Kumta	-
	TOTAL	176	39	40	85	12

Annexe -2

Package of Incentives & Concessions offered for Investments (Industrial Policy 2009-14)

1.0 Investment Promotion Subsidy

a) Micro Mfg. Enterprises

Zone – 1 : 25% VFA (max. Rs.10 lakhs)

Zone – 2 : 20% VFA (max. Rs.7.5 lakhs)

Zone – 3 : 15% VFA (max. Rs.5.00 lakhs)

Zone – 4 : Nil

b) Small Mfg. Enterprises

Zone – 1 : 20% VFA (max. Rs.20 lakhs)

Zone – 2 : 15% VFA (max. Rs.15 lakhs)

Zone - 3 : 10% VFA (max.Rs.10 lakhs)

Zone – 4 : Nil

c) Medium Manufacturing Enterprises

Zone – 1 :Max. Rs.30 lakhs.

Zone – 2 : Enhanced incentives as per Annexe - 3

Zone – 3 : Enhanced incentives as per Annexe - 3

Zone – 4 : Nil

Notes :

- (i) 25% of the subsidy sanctioned amount will be released every year on refund basis towards the payments made by the unit in respect of gross VAT, ESI and PF and power tariff.

In cases of enterprises which do not use power and not covered under VAT, EPF, ESI the investment subsidy will be released against the loan dues.

(ii) This incentive is available to enterprises availing term loan to an extent of minimum 50% cost of fixed assets only.

(iii) The unit shall avail the sanctioned subsidy within the period of five years.

1.1 Additional subsidy to SC/ST, Women, Physical challenged, Ex-Servicemen Entrepreneurs and enterprises coming up in most Backward taluks of Hyderabad Karnataka region.

Additional 5% subsidy subject to a maximum of Rs.1.00 lakh, Rs.3.00 lakhs and Rs.5.00 lakhs for Micro, Small and Medium Manufacturing Enterprises respectively.

2.0 Exemption from Stamp Duty

MSME, Large and Mega Projects

Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing term loans from State Govt. and / or State Financial Corporation, Industrial Investment Development Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, KVIB / KVIC, Karnataka State SC/ST Development Corporation, Karnataka State Minority Development Corporation and other institutions which may be notified by the Government from time to time for the initial period of five years only and (ii) for lease deeds, lease-cum-sale and absolute sale deeds executed by industrial Enterprises in respect of industrial plots, sheds, industrial tenements, by KIADB, KSSIDC, KSIIDC, Industrial Co-operatives and approved private industrial estates shall be exempted as below :

Zone – 1	:	100%
Zone – 2	:	100%
Zone – 3	:	75%
Zone – 4	:	Nil

3.0 Concessional Registration Charges

MSME, Large and Mega Projects:

For all loan documents and sale deeds as specified in 2 above, the registration charges shall be at a concessional rate of Re.1 per Rs.1000.

Note: (i) The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act and also for direct purchase of industrially converted lands for the projects approved by SHLCC/ SLSWCC/ DLSWCC. This incentive will also be applicable for the land transferred by KIADB to land owners as compensation for the acquired land.

(ii) The exemption of stamp duty and concessional registration charges are also available for registration of final sale deed in respect of lands, sheds, plots, industrial tenements after the expiry of lease period at the rate as specified in the Industrial Policy which was in vogue at the time of execution of lease-cum-sale deed.

4.0 Waiver of Conversion Fine

MSME, Large and Mega Projects

The payment of conversion fee for converting the land from agriculture use to industrial use including for development of industrial areas by private investors will be waived as detailed below:

Zone – 1	: 100%
Zone - 2	: 100%
Zone – 3	: 75%
Zone - 4	: Nil.

- Note: 1. The waiver of conversion fine will be on reimbursement basis after implementation of projects.
2. The provisions made in the Industrial Policy 2009-14 are also applicable to pharma policy.

5.0 Exemption from Entry Tax (ET)

Micro, Small & Medium Enterprises (MSME), Large & Mega Projects:

In Zone – 1, 2 and 3 :

100% exemption from payment of ET on ‘Plant & Machinery and Capital Goods’ for an initial period of 3 years from the date of commencement of project implementation. For this purpose, the term ‘Plant & Machinery and Capital Goods’ also includes Plant & Machinery, equipment etc. including machineries for captive generation of Electricity.

On raw materials, inputs, component parts & consumables (excluding petroleum products) [wherever applicable] for a period of 5 years from the date of commencement of commercial production.

Zone – 4 : Nil

6.0 Incentives for Export Oriented Enterprises

MSME, Large and Mega Projects

(i) Exemption from payment of Entry Tax (ET)

For 100% EOUs, 100% exemption from payment of ET on ‘Plant & Machinery and Capital Goods’ for an initial period of 3 years from the date of commencement of project implementation irrespective of zones.

For other EOUs, (Minimum Export obligation of 25% of their total turnover) 100% exemption from payment of ET on raw materials, inputs, component parts & consumables (excluding petroleum products) for an initial period of 3 years from the date of commencement of commercial production in Zone 1, 2 and 3 and 50% in Zone 4.

(ii) Refund of Certification Charges

Refund of expenses incurred for compulsory marking like Conformity Europeenne (CE), China Compulsory Certificate (CCC), etc., to the extent of 50% of expenses subject to a maximum of Rs.2.00 lakhs per unit for both 100% and other EOUs in all zones.

7.0 Exemption of APMC Cess / fees

MSME, Large and Mega Projects

APMC Cess/fees in respect of procurement of agriculture produce as specified in the Schedule (inserted by Act No.17 of 1980 and effective from 30.06.1979) Sl.No. II, III, IV, VI, VII, IX and X to the Karnataka APM (Regulation & Development) Act, 1966, directly from farmers for processing by new and existing industries in Zone – 1, 2 & 3 shall be exempted for a period of five years, four years and three years respectively.

Zone – 4 : Nil

8.0 Subsidy for setting up ETPs by MSME, Large and Mega Projects

Enhanced incentives as per Annexe - 3.

9.0 Interest free loan on VAT

Enhanced incentives as per Annexe – 3.

10.0 Anchor Unit Subsidy

Anchor unit subsidy of Rs.100 lakhs shall be offered for the first two manufacturing enterprises with minimum employment of 100 members and minimum investment of Rs.50 crores in each of the taluks coming in Zone-1, 2 & 3 will be offered. This subsidy will be applicable only in taluks where no industrial Enterprises with investment of Rs.50 crores and above exist at present.

11.0 Special incentives for Enterprises coming up in low HDI districts

Only for Large & Mega Projects

New large scale Enterprises setting up facilities in six districts having bottom most Human Development Index (HDI) and employing at least 75% local persons as defined in the Sarojini Mahishi recommendations will be offered 75% reimbursement of expenditure on account of contribution towards Employees State Insurance (ESI) and Employees Provident Fund (EPF) scheme for a period of initial five years.

However, these benefits over a period of five years will be limited to 25% of value of fixed capital investment. The amount of reimbursement will be paid annually based on minimum statutory limit subject to the condition that the unit has paid its contribution towards ESI & EPF on the due dates. Following are the six districts having bottom most Human Development Index:

Sl. No.	District	HDI* (2001)
1	Bagalkot	0.591
2	Bijapur	0.589
3	Koppal	0.582
4	Chamarajanagar	0.576
5	Gulbarga	0.564
6	Raichur	0.547

* As per Karnataka Human Development Report – 2005 published by the Department of Planning & Statistics, Government of Karnataka

12.0 Interest Subsidy for Micro Manufacturing Enterprises

Interest subsidy is extended to Small & Medium Manufacturing Enterprises, as detailed in Annexe – 3.

13.0 Exemption from Electricity Duty

Micro & Small Mfg. Enterprises

100% exemption of electricity duty / tax for the initial period of five years, four years and three years in Zone-1, Zone-2 and Zone-3 respectively.

14.0 Technology Upgradation, Quality Certification and Patent Registration

Micro, Small & Medium Manufacturing Enterprises

(i) Interest Subsidy on TU Loan :

Zone 1, 2 & 3 : 5 % on loans availed from KSFC, KSIIDC & Scheduled commercial banks, which are not covered under CLCSS (Credit Linked Capital Subsidy Scheme) of GoI.

(ii) ISO series certification :

Zone 1, 2, 3 & 4: 75% of cost (max. Rs.75,000).

(iii) Bureau of Indian Standards (BIS) Certification:

50% of fees payable to BIS. (max. Rs.20,000) and 25% of cost (max.Rs.50,000) for purchase of testing equipments as approved by BIS.

(iv) Patent registration :

75% of cost of fees payable to Patent Office (max. Rs.1.25 lakhs) and 50% of cost (max. Rs.75,000) towards attorney fees, patent search etc.

Incentives to Patent Registration in a phased manner:

- The refund of 90% of the cost of Prior Art Search subject to a maximum of Rs.12,000/-.
- The refund of 90% of the cost paid to the Attorney for preparation of provisional specification subject to a maximum of Rs.15,000/-.
- The refund of 100% fees paid to the Patent Office subject a maximum of Rs.4,000/-.
- The refund of 90% of the cost paid to the Attorney for request for examination subject to a maximum of Rs.4,000/-
- The refund of 100% of the fees paid to the Patent Office for examination subject to a maximum of Rs.10,000/-
- The refund of 90% of the cost paid to the Attorney for preparation of complete specification upto a maximum of Rs.55,000/-.
- After patent registration, a sum of rupees equivalent to the cumulative amount paid in stages as mentioned above subject to a maximum of Rs.1.00 lakh will be sanctioned as reward / award to the inventor.

(v) Technology Adoption :

25% of cost (max. Rs.50,000) for adopting technology from recognized national laboratories.

(vi) Technology Business Incubation Centre : 25% of the project cost (Max : Rs.50 lakhs).

15.0 Water harvesting / Conservation Measures

Small & Medium manufacturing enterprises in all Zones.

- (i) Rain water harvesting : 50% of cost (max. Rs. 1 lakh)
- (ii) Waste water recycling : 50% of cost (max. Rs. 5 lakh)
- (iii) Zero discharge process : 50% of cost (max. Rs. 5 lakh).

16.0 Energy Conservation

Small & Medium manufacturing enterprises in all zones

Practicing Energy Conservation measures resulting in reduction of Energy Consumption of at least 10% of earlier consumption: 10% of capital cost (max Rs.5 lakh).

Use of non-conventional energy sources : 10% of capital cost (max. Rs.5 lakh).

17.0 Additional Incentives to the enterprises following Reservation Policy of the State

Medium, Large and Mega Manufacturing Enterprises in all zones employing more than 100 persons :

50% reimbursement of expenditure incurred for employees coming under reserved category towards contribution to ESI & EPF schemes for a period of initial 5 years.

18.0 Refund of cost incurred for preparation of Project Reports

Micro & Small Manufacturing Enterprises

Zone 1, 2 & 3 : The cost incurred for preparation of project reports by TECSOK/CEDOK/KSFC or any other recognized institutions for availing loans shall be reimbursed to the maximum of Rs.10,000/- per unit subject to financing of the unit.

* * *

Annexe -3

Incentives & Concessions for Pharmaceutical Sector Over & Above the Industrial Policy

1. Establishment of Pharma Park –

- (a) Equity contribution to the extent of 26% to be sought from Karnataka State Industrial Infrastructure Development Corporation (KSIIDC), Karnataka Industrial Areas Development Board (KIADB) and Infrastructure Development Department (IDD) in Public Private Partnership (PPP) model.
- (b) Common testing laboratory, cold storage & warehousing – one time capital subsidy up to 50% of the total cost subject to a ceiling of Rs.500 lakhs and remaining 50% from the stakeholders.
- (c) One time capital subsidy upto 50% of the cost of Common Effluent Treatment Plant subject to a ceiling of Rs.500 lakhs per project in Zone-1,2, 3 & 4. This subsidy shall be available for CETPs established in designated Pharma Parks, Pharma SEZs and clusters of pharmaceutical industries.

2. Investment promotion subsidy for Medium Manufacturing Enterprises (those employing more than 25 workers)

- **Zone – 2** : Max. Rs.25 lakhs (against Rs.20 lakhs in IP)
- **Zone – 3** : Max. Rs.20 lakhs (against nil in IP)

3. Subsidy for setting up ETPs by MSME, Large and Mega Projects

One time capital subsidy upto 50% of the cost of Effluent Treatment Plants (ETPs), subject to a ceiling of Rs.200 lakhs per manufacturing enterprise in all Zones for new units only (instead of Rs.100 lakhs in Zone – 1, 2, 3 & Rs.50 lakhs in Zone 4 as per IP).

4. Interest Subsidy for Micro, Small and Medium Manufacturing Enterprises

Interest subsidy @ 5% on term loans shall be offered for micro, small and medium scale manufacturing units subject to max. Rs.7.00 lakhs per unit. The interest subsidy is payable only on the interest actually paid to financial institutions and not defaulted in payment of principal or interest installments. The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy) receivable by any institutions / under any Govt. of India scheme or 5% per annum whichever is less). The period of interest subsidy is 5 years, 4 years and 3 years in Zone -1, Zone 2 and Zone 3 respectively. Interest subsidy shall not be applicable in Zone-4.

5. Research & Development

- (a) An annual grant of Rs.50 lakhs from the Government for industry academia towards hardcore R&D projects irrespective of locations. The activity is monitored by Karnataka Pharmaceutical Development Council (KPDC).
- (b) An annual incentive upto 20% of expenditure towards clinical trials for bio availability and bio-equivalence subject to a maximum of Rs.100 lakhs per clinical trial.

6. Venture Capital

The State Government will set up a Venture Capital Fund with a corpus of Rs.50 crores with contribution of 26% from Government. Remaining funds will be contributed by the private sector such as industries, financial institutions and private investors.

7 Showcasing Karnataka Pharmaceutical Sector

Holding Pharmacia event once in every two years in the State. A grant upto 50% of the cost subject to a maximum of Rs.600 lakhs and the remaining by the stakeholders.

8. Marketing Support –

A price preference of 15% for MSME sector available in the industrial policy is applicable to pharmaceutical sector.

9. Shifting industrial units –

Preferential allotment of industrial land in the nearby location at a concession of 15% of the prevailing allotment rate by KIADB.

10. Finishing Schools

State Government support will be limited to 25% of the cost subject to maximum of Rs.100 lakhs per Finishing School towards setting up necessary laboratory instruments & other technology related gadgets and equipment required to train the students, as part of Human Resource Development.

11. Human Resource Development

A monthly stipend of Rs.10,000/- per candidate sponsored by the industry / institution / department will be provided to the candidates, trained in Finishing Schools. 50% of the stipend shall be provided by the sponsorer of the candidate. The total upper limit for the stipends will be Rs.6.00 lakhs per annum per Finishing School.

12. Gogreen initiative

The initiatives will be supported by providing subsidy upto 50% of the cost subject to a maximum of Rs.50 lakhs.

13. Vision group

A provision upto Rs.25.00 lakhs will be provided by the Government to meet the recurring cost.

14 KPDC & Monitoring

A budgetary provision of Rupees one crore would be made for initial expenditure and recurring expenditure upto Rs.25 lakhs per annum would also be provided by the government for effective functioning of the Council.

The Govt. support recurring expenditure towards implementation and monitoring by providing Rs.75.00 lakhs per year.

15. Interest free loan on VAT

All new medium, large & mega manufacturing pharma industries establishing in all zones shall be offered interest free loan of 100% assessed gross VAT for initial period of 10 years subject to a limit of 150% of value of fixed assets. This loan is repayable in 10 equal annual installments after completion of loan period of 10 years.

Definitions and Terms & Conditions for sanction of Incentives and Concessions

I Definitions

- a) As per the **MSMED Act, 2006**, Manufacturing Enterprises have been defined based on of investment in plant and machinery and classified into:
- Micro Enterprises - Investment upto Rs.25 lakhs
 - Small Enterprises - Investment above Rs.25 lakh and upto Rs.500 lakhs.
 - Medium Enterprises - Investment above Rs.500 lakhs and upto Rs.1,000 lakhs.
- b) As per the **MSMED Act, 2006**, Service Enterprises have been defined based on investment equipment and classified into:
- Micro Enterprises - Investment upto Rs.10 lakhs
 - Small Enterprises - Investment above Rs.10 lakh and upto Rs.200 lakhs.
 - Medium Enterprises - Investment above Rs.200 lakhs and upto Rs.500 lakhs.
- c) **Large Scale Industry:**
- An Industrial Unit which is not classified as Micro, Small and Medium Enterprise and with investments upto Rs. 250 cr. shall be classified as large scale industry.
- d) **Mega Project:**
- Projects with an investment of Rs.250 crores and above.

e) Pharmaceutical industry

A pharmaceutical company includes inter-alia, a company engaged in one or more of the following activities:

- i) Developing a product or offering a service related to active pharmaceutical ingredients or final formulations
- ii) Developing a product or offering a service related to biopharmaceuticals including bio similar and bio-generics
- iii) Developing a product or offering services related to pharmaceutical devices
- iv) Contract Research Organizations
- v) Offering Pharmaceutical services such as research and development activities, process validations and bench marking.

f) 100% Export Oriented Enterprises [Export Oriented Enterprises]

A 100% Export Oriented Enterprises is one which undertakes to export its entire production of goods subject to relaxation as permitted by Govt. of India from time to time. Such Enterprises may be set up either under the Export Oriented Enterprises or under EPIP [Export Promotion Industrial Park] Scheme or under the EHTP [Electronic Hardware Technology Park] Scheme or Software Technology Park Scheme or Special Economic Zone.

g) Fixed Asset

Fixed assets shall mean the total investment made on land, building and plant and machinery and such other productive assets like tools, jigs, and fixtures, dies, utilities like boilers, compressors, diesel generating sets, cranes, material handling equipments and such other equipments directly related to production purposes.

II Terms and conditions for Sanction of Incentives & Concessions as per this Policy shall be same as terms and Conditions mentioned in Annexe-5 of Karnataka New Industrial Policy 2009-14. However, such of those conditions which are not relevant to this Policy may be ignored.

Separate guidelines for administration of these incentives and concessions will be issued for the guidance of the concerned agencies and officers with the approval of the High Level Inter-Departmental Monitoring and Review Committee. Interpretation of Government Orders and the decision thereon of this Committee shall be final.

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For more details, please contact

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