

Karnataka Electronics System Design & Manufacturing (KESDM) Policy 2017-2022:

I. About the Program:

- **Overview of KESDM Policy 2017 -2022:**

Karnataka ESDM Industry:

Karnataka is known to be a centre of hi-tech industry, contributing significantly to the country's revenues from information technology, biotechnology, ESDM, aerospace and other technology sectors.

Karnataka is the fourth largest contributor to electronic industrial output in the country and contributes to 10% of the country's electronic industrial output with a recorded growth rate of 18% CAGR during 2008-2013.

- **Vision of the KESDM Policy 2017-22:**

Develop Karnataka into a global ESDM hub and a hotbed of innovation through focused interventions and encouragement to local companies in the sector.

- **Goals of the KESDM Policy 2017-22:**

The policy aims to foster high growth for the ESDM industry, which can be achieved by attaining the following goals:

- Stimulate the growth of 2000 ESDM startups during the policy period.
- Enhance value addition done in Karnataka by 50%.
- Create 20 Lacs new jobs in the ESDM industry by 2025; both direct and indirect, thereby increasing the total workforce in the sector to ten times the present number.
- Effect a quantum jump in the overall revenues of Karnataka's ESDM companies to USD 40 billion by 2025.

- **Strategies of the KESDM Policy 2017-22:**

- Skill Development:

Continue the focus on skill development and nurturing of the talent pool by refining and strengthening the existing initiatives; introduce new, strategic interventions for focus sectors.

- Quality Infrastructure:

Create common infrastructure facilities and center of excellences (CoEs) in specific areas, to provide an impetus to local industry; encourage new investments and growth in tier-2 cities across the state.

➤ Ecosystem Support:

Operationalise PMA policy to encourage domestic procurement; accelerate next generation technologies through pilot projects and encouragement to grass-roots entrepreneurship and IP creation.

➤ Encouragement to Start-ups and MSMEs:

Strengthen the existing Semiconductor venture fund for accelerated investments; promote expansion and growth of KESDM industry through market development activities and support to local companies.

➤ Enhancing Ease-of-doing Business:

Simplify and streamline policies and procedures to enhance overall experience of doing business in the state; put in place mechanisms for faster facilitation of incentives and other policy benefits to attract investments from global companies in the sector.

• **Focus Sectors :**

To ensure that the state develops as a hub for innovation and R&D, the Government will lay a special focus on some of the emerging sectors.

In order to incubate and scale up these sectors, the Government would focus on setting up Centers of Excellence with specialized facilities for training and skilling, research and development, and product development and validation.

1. Medical Electronics
2. Industrial Automation / Robotics.
3. Automotive Electronics.
4. Nano Electronics.
5. Consumer Electronics.

II. Present Status:

The Present Status under KESDM Policy are:

- The Total companies registered under Karnataka Electronics System Design & Manufacturing (KESDM) Policy are forty till date.
- Total Incentive disbursed till date is Rs 7.24 Crores for the registered KESDM Companies as below:
 - Under ESDM Policy various incentives for R and D, Patents and Marketing to the tune of Rs 7.24 Crores has been disbursed till date , to KESDM registered companies as below:

Financial Year	Amount Disbursed as incentives
2014-15	Rs 1,00,48,850.00
2015-16	Rs 1,09,87,857.00
2016-17	Rs 2,83,89,663.00
2017-18	Rs 2,28,21,851.00
2018-19 (till date)	Rs 2,42,053.00
TOTAL	Rs 7,24,90,274.00

- **Electronics Manufacturing Clusters under KESDM Policy 2017-22 :**

Govt. of Karnataka will accelerate the process of setting up Greenfield and Brownfield clusters, in line with the policy of the Govt. of India. These clusters will be developed to provide world-class manufacturing facilities to ESDM companies.

1. VLSI/ESDM Incubation Centre:

- **Name of the Centre:** VLSI/ESDM Incubation Centre.
- **Collaboration with:** KITS has collaborated with India Electronics and Semiconductor Association (IESA) to implement VLSI/ESDM Incubation Centre.
- **Address:** VLSI/ESDM Incubation Centre has been set up at KLE Technological University, Vidya Nagar, Hubballi, Karnataka 580031.
- **Objective of the program :**
 - The objective of VLSI/ESDM Incubation Centre is to create successful entrepreneurs and trained manpower.
 - Total of 10-15 incubatees will get access to incubation centre over a span of 3 years and will be eligible to access equipments, facilities, mentorship etc.

- The final goal is to churn out five successful ESDM Companies from shortlisted incubatees.
- This facility has been inaugurated and is functional.

2. Brownfield ESDM Cluster:

- **Name of the Centre:** Brownfield ESDM Cluster.
- **Collaboration with:** KITS will be collaborating with India Electronics and Semiconductor Association (IESA) to implement Brownfield ESDM Cluster.
- **Address:** Brownfield ESDM Cluster has been set up at Deshpande Foundation – Foundation for Sandbox Startups Initiatives, beside international airport, opposite to Gokul village, Gokul road, Hubballi – 580030.
- **Objective of the program :**
 - The Brownfield ESDM Cluster will work with the Proof of concept startups/ incubatees and other stakeholders who are interested to make semiconductors chips and electronic based products/services.
 - The Incubation centre will help the incubatees with access to IPs facilitations process and also help the startups create IPs in house.
 - This facility has been inaugurated and is functional.

3. Mysore ESDM Cluster:

- **Name of the Centre:** M/s Mysore ESDM Cluster.
- **Collaboration with:** Common Facility Centre (CFC) under the EMC Scheme of MeitY, GoI supported by GoK and private partners.
- **Address:** Plot No.336/4 & 336/5, Hebbal Industrial Area, Mysore - 570018.
- **Objective of the program :**
 - The Common Facility Centre (CFC) would cater to various testing, quality and regulatory needs of the industry.
 - CFC will function as a service provider to assist the firms seeking services in innovating and developing new products, enhancing productivity and meeting international regulatory requirements.
 - This facility is expected to be operational during January 2019.

III. BENEFITS:

➤ **PROVIDING STATE SUPPORT IN THE FORM OF INCENTIVES AND CONCESSIONS FOR KESDM REGISTERED COMPANIES:**

Govt. of Karnataka aims to foster the ESDM industry to innovate and build scale. To facilitate the various objectives of the policy, a host of incentives and concessions will be applicable for the industry throughout the policy period as below.

SI	Incentive / Concession / Grant	Applicability of incentive for KESDM registered companies	Applicable Restrictions	Max amount per application	No. of claims allowed for a single Company	Remarks
1	Patent Registration Incentive	<ul style="list-style-type: none"> Startup & MSMEs Large and Mega Enterprises 	Patent should be filed or granted within the policy period	INR 2 Lacs for domestic; INR 10 Lacs for International	A single company will be eligible for a maximum of five reimbursements during the policy period	75% given when patent is filed, rest 25% when it is granted
2	International Marketing Incentive	<ul style="list-style-type: none"> Startup & MSMEs Large and Mega Enterprises 	Reimbursements of 50% of the actual cost incurred	Maximum of INR 5 Lacs per year	For 2 employees for participation in up to 2 international events /conferences /tradeshows per company per year	
3	R&D Grant	<p>Product based companies. For design and services companies, only if the IP resides with the Karnataka based ESDM Company.</p> <ul style="list-style-type: none"> Startup & MSMEs Large and Mega Enterprises 	The R&D grant will be available to only those companies that are less than 7 years old	This grant is subject to a maximum of INR 2 Crores per company per year	A single company will be able to claim this incentive only twice during the entire policy period.	Irrespective of the amount that gets reimbursed, the R and D grant can be claimed only twice during the policy period
4	Capital Subsidy	Large and Mega Enterprises	Applicable to the first two anchor units in each Greenfield cluster	10% capital subsidy, up to a maximum of INR 10 Crores		This subsidy is not applicable to Startups and MSME's.
5	Reimbursement of Quality Certification Costs	Startups and MSMEs	Reimbursement of up to 50% of testing/certification charges	INR 10 Lacs per year		Charges incurred for getting the products tested/certified from any lab domestic/abroad.
6	Reimbursement of Prototyping Cost	Startups and MSMEs	Reimbursement 50% of the cost incurred for developing	INR 10 Lacs per year	Maximum of 2 sanctions per year per company	

			a prototype of a product.			
7	Interest Subsidy	Startups and MSMEs	Interest subsidy of up to 6% per annum on term loans taken during the policy period	For a period of five years for loans of up to INR 50 Lacs		The term loan must have been taken from a scheduled bank or a state-level financial institution such as KSFC
8	PF / ESI Incentive	Startups and MSMEs	Maximum of INR 2000 per person per month for 2 years	INR 12 Lacs	Reimbursement will be made only once per company during the policy period	<p>This subsidy will only be applicable to a new company, registered within the last two years, as on the date of application.</p> <p>Companies who have started a new subsidiary or branch office in Karnataka will also be eligible, provided the new setup has been established within the last two years as on the date of application.</p> <p>Only for new employment</p>
9	Exemption from Stamp Duty	<ul style="list-style-type: none"> Startup & MSMEs Large and Mega Enterprises 	<ul style="list-style-type: none"> Stamp duty paid in respect to State Government 	-		Available Stamp Duty Exemption for: Startups and MSMEs – 100% Large and Mega Enterprises - 75%
10	Reimbursement of Land Conversion Fee	<ul style="list-style-type: none"> Startup & MSMEs Large and Mega Enterprises 	Reimbursement for payment of land conversion fee from agriculture use to industrial use			Upper Limit INR Startups and MSMEs – 75% Large and Mega Enterprises – 50%

11	Concessional Registration Charges	<ul style="list-style-type: none"> • Startup & MSMEs • Large and Mega Enterprises 	A concessional rate on registration charges for all loan documents, lease deeds and sale deeds:	INR 1 per INR 1000		
12	Power Tariff Concession	<ul style="list-style-type: none"> • Startup & MSMEs • Large and Mega Enterprises 	This will be subject to KERC regulations			
13	Subsidy for setting-up ETP	<ul style="list-style-type: none"> • Startup & MSMEs • Large and Mega Enterprises 	-	One time capital subsidy to the tune of up to 50% of the cost of ETP	1 in policy period	Upper Limit INR Startups and MSMEs – 50 Lacs Large and Mega Enterprises - 1 Crore