



# Karnataka

## Aerospace Policy 2013 - 2023

(with Amendments)



Commerce and Industries Department



***Commerce & Industries Department***  
**Government of Karnataka**

**Karnataka**  
**Aerospace Policy**  
**2013-23**  
**(with Amendments)**

***(Policy Government Order No. CI 17 SPI 2012, dated 06-02-2013)***

**(Amendments to Karnataka  
Aerospace Policy 2013-23  
Government Order No: CI 17 SPI 2012(P7),Dated: 08.09.2016)**

## Table of Contents

Sl. No.	Particulars	Page No
1	Annexe to G.O. No : CI 17 SPI 2012 Dtd : 06.02.2013	06
2	Preamble	06
3	Vision	09
4	Mission	09
5	Objectives	09
6	Strategies	10
7	Policy measures	12
8	Appendix-1 - Incentives & Concessions for Aerospace Enterprises	18
9	Appendix-2 - Definitions and Terms & Conditions for sanction of Incentives and Concessions	30

## **Proceedings of the Government of Karnataka**

**Sub.:** Karnataka Aerospace Policy 2013-2023

**Read :** G.O.No.CI 233 SPI 2008 Bangalore dt: 28.02.2009

---

### **1 Preamble**

Karnataka is home to India's Aerospace industry. The establishment of Hindustan Aeronautics Limited (HAL) in 1940 heralded the aerospace activities in Bangalore. Subsequent establishment of defence public sector undertakings and R&D institutions like BEML, BHEL, GTRE, NAL, DRDO, ADA, ADE, ISRO, IISc etc., positioned Karnataka as a prime location for Aerospace industry in India.

India's Aerospace & Defence (A&D) sector is at an inflection point. Various estimates put the A&D expenditure on acquisitions at around Rs. 5 lakh crores (US \$ 100 Billion) over the next 10 years. The robust growth potential of the industry is attracting global majors in Aerospace sector to set up shop in India thereby providing tremendous opportunities for Indian industry participation.

Defence Procurement Policy (DPP-2011) has included civil aviation equipment in the list of direct offsets. By 2017, the Indian aviation market is projected to be among the three largest markets globally.

India's MRO segment is estimated to reach Rs.1300 crores by 2020. Given the labour intensive nature of MRO, several leading MRO companies, OEMs and international airlines have outsourced heavy maintenance work. The grand success of Aero India 2011 with the largest international participation was a reflection of the immense potential for investments by domestic and international firms.

**Karnataka has a high potential to emerge as an Aerospace Hub due to following strengths and advantages:**

- A relatively low cost aerospace manufacturing and MRO activities in Asia and Middle East providing a competitive edge.
- Presence of defence PSUs and scientific and technical institutes along with research and development agencies.
- Expertise in aerospace with more than 2000 SMEs which execute niche sub-contracting work for the DPSUs.

- Bangalore being recognized as the Silicon Valley of India has a number of top companies in IT/ITES and electronics hardware, many of them being a part of the supply chain to the Aerospace sector.
- Maximum number of engineering graduates in the country, with a large number of them employed in IT, design & engineering affirming advantageous position with reference to skill sets.

Karnataka intends to take advantage of the promising scenario and strive to project the State as the aerospace hub for Asia in the next 5 years and as one of the top global aerospace and MRO destinations by 2023.

Despite the strengths that, Aerospace industry in Karnataka enjoys, the industry faces various challenges both at institutional as well as at the operational level. Focusing all energies and resources to overcome these challenges and building on critical areas of opportunities and strengths can lead to sustained competitive advantage for the State in the long term. Keeping these points in view, the State intends to formulate Karnataka Aerospace Policy to provide enabling environment for investors in Aerospace Sector. The New Aerospace Policy 2013 lays emphasis on the development of infrastructure and human resource in addition to other measures.

The aerospace industry must operate with a long-term perspective and hence this Policy would be implemented in two phases viz., the near term view in Phase-I (Growth Phase: 2013-18) and a medium to long term view Phase-II (Consolidation Phase: 2018-23 and beyond) with the overall objective of making the policy attractive to entrepreneurs as well as large investors.

This policy is framed on the broad principles of Karnataka Industrial Policy of 2009-14. The policy has been formulated through extensive consultation process with industry associations, trade bodies, related Government departments & organizations and other stakeholders. The Policy has also been discussed by the Aerospace Core Group Committee constituted by the Government of Karnataka. The valuable inputs provided by CII & PwC and suggestions offered by various stakeholders have been incorporated suitably to make this policy more industry friendly.

In light of the facts, covered in the preamble, a decision has been taken by the Government to formulate and adopt the Karnataka Aerospace Policy for the period 2013-23.

Hence, the following Order.

**Government Order No. CI 17 SPI 2012, dated 06-02-2013**

In the circumstances explained in the preamble, Govt. is pleased to announce the Karnataka Aerospace Policy 2013-23 as detailed in Annexe to this order and supported by following Appendices:

Appendix - 1: Incentives & Concessions for Aerospace Sector.

Appendix - 2: Definitions and Terms & Conditions for sanction of Incentives and Concessions.

The salient features of the Karnataka Aerospace Policy 2013-23 are as follows:

- i) Envisioned to establish Karnataka as a Vibrant Aerospace Hub of Asia and a globally recognised aerospace destination.
- ii) Has a mission to attract investments of Rs. 60,000 crores (10 billion USD) over a period of 10 years in two phases i.e., 2013-18 and 2018-2023 and generating direct employment for about one lakh persons and derive large spin off effects.
- iii) To create Aerospace Eco-system across the State by providing enabling and industry-friendly environment.

The above Karnataka Aerospace Policy shall come into effect from 6th, February, 2013 and shall be in force up to 31st January, 2023.

This order issues with the concurrence of Finance Department vide Note No. FD 96 Exp-I/2013 dated 30.01.2012 and Planning Department vide Note No. PDE 11 FRO 2012, dated 22.06.2012.

By Order and in the Name of  
Governor of Karnataka  
-Sd/-  
**(Shivashankar Naik. L)**  
Desk Officer (Technical Cell)  
Commerce & Industries Dept.,



## PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA

**Sub:** Amendments to Karnataka Aerospace Policy 2013-23 - reg.

**Read:** Government Order No. CI 17 SPI 2012, dated: 06.02.2013.

--:0:-

### PREAMBLE:

The State Government has announced the Karnataka Aerospace Policy 2013-23 on 06.02.2013. Karnataka Aerospace Policy 2013-23 is operational since February 2013 and about 33 project proposals with proposed investment of Rs. 14,720 crore and employment potential for about 10,584 persons have been approved.

The opportunities in the Aerospace sector have increased manifold consequent to the recent Policy pronouncements of Govt. of India. The changes in the FDI norms for investments in the Defense sector, changes in the Defence Procurement Procedure, Defense Offset Policy & the approval given for the National Civil Aviation Policy, 2016 etc have brought into focus opportunities for investments in the Aerospace and MRO sector in India. There is scope for substantial investments in the Aerospace sector in India, especially in Karnataka provided favorable policy environment is put into place.

The Karnataka Aerospace Policy 2013-23 was announced when the Industrial Policy 2009-14 was in force. With the announcement of Industrial Policy 2014-19 offering a host of location based attractive incentives and concessions, the earlier policy 2009-14 ceased to exist. The over-lap of Aerospace Policy with the two industrial Policies i.e. 2009-14 and 2014-19, has led to ambiguity on the application of the incentives and concessions.

Further Industry experts have represented to Government to broad base the scope of the Aerospace Policy 2013-23 to cover the MRO, Civil Aviation etc and also to match the incentives and concessions offered in other States.

It is now proposed to bring in amendments to Karnataka Aerospace Policy 2013-23 in order to attract Global Aerospace industry to set up manufacturing base in Karnataka and also to broad base the scope of the policy to cover the MRO, Civil Aviation sector and also to bring on par with the incentives and concession offered in Industrial Policy 2014-19.

With the amendments now proposed to Karnataka Aerospace Policy 2013-23 it is envisaged that the goals on investments, employments etc could be achieved during the policy period.

Hence the following order:

**GOVERNMENT ORDER No: CI 17 SPI 2012 (P7), BENGALURU,**

**DATED: 08.09.2016**

In the circumstances explained above, the Government is pleased to accord approval for additions / modifications to Karnataka Aerospace Policy 2013-23, as mentioned in Annexure I, II & III.

This order issues with the concurrence of Finance Department vide Note No. FD 281 Exp-1 2016, dated 17.08.2016 and Cabinet approval vide subject No: C.No. 420/2016, dated: 31.08.2016.

By Order and in the name of the  
Governor of Karnataka,  
-Sd/-

**(S. UMADEVI)**

Desk Officer (Technical Cell),  
Commerce & Industries Department.



## **Annexe to G.O. No. CI 17 SPI 2012 Dated: 06.02.2013**

### **Karnataka Aerospace Policy 2013-2023**

#### **Preamble: (Annexure-II of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016)**

Karnataka is considered as the aerospace destination and is the undisputed leader for aerospace related manufacturing and services in India.

Establishment of Hindustan Aeronautics Limited, a Public Sector Undertaken of Government of India way back in December 1940 and subsequent establishment of defence public sector undertakings and Research & Development (R&D) institutions developed the ecosystem for aerospace sector and has been hailed as the best in India. Defence Research and Development Organization (DRDO) under Ministry of Defence Production has ten high end labs in Bengaluru/Karnataka, the most in any city in India.

Karnataka is considered as the aerospace destination and is the undisputed leader for aerospace related manufacturing and services in India due to the presence of numerous aerospace companies and Public Sector Units ('PSUs') engaged in Design & Development & Manufacturing. The other advantages of the State are such that more than half of all the production units and R&D centers are located in Karnataka, a quarter of all the aircrafts and spacecrafts made in India are produced in Karnataka and almost all global aerospace majors have presence in the State.

Karnataka is an attractive destination for simulation and R&D due to its inherent advantages of a large number of highly qualified Engineers and Scientists. Simulation and high-end research has been the forte of Government owned organizations based in Bengaluru. Some leading aerospace companies have engaged with their Indian counterparts to enhance their aerospace simulation and R&D capabilities by establishing facilities in Karnataka. In addition, several educational, scientific and technical educational institutions are fostering domain expertise in IT, engineering and design skills that can be leveraged by aerospace industry.

#### **Industry Outlook:**

##### **✦ Civil Aviation Sector:**

India is the 9th largest aviation market in the world with a size of around US\$ 16 billion and is poised to be the 3rd biggest by 2020. Civil Aviation sector has been growing steadily registering a growth of 13.8% during the last 10 years. The air transport in India has attracted FDI of over US\$ 569 million from April 2000 to February 2015.

Over the next decades, India undoubtedly has the potential to become a significant part of the global aerospace supply chain as India offers cost advantages of between 15 to 25 percent in manufacturing, together with its large procurement appetite. Robust technical and engineering capabilities backed by top-notch scientific and technical institutes are other positive offerings on the table.

✦ **Defence Manufacturing Sector:**

The Indian defence market presents an attractive and significant opportunity for Indian and foreign companies across the supply chain for the investment in the defence sector. As per FICCI-Centrum report, the market opportunity for private companies will grow 7 times from US\$6bn in FY14 to US\$41bn by FY22. The opening of the defence manufacturing sector for private participation has helped foreign original equipment manufacturers to enter into strategic partnerships with Indian companies and leverage the domestic markets allowing them to aim at global business.

The sector will witness strong growth over the next decade due to its current size, longevity, and competitive advantage for the investment in the Defence Manufacturing in India. Also, large and relatively low cost engineering, talent pool and comfort of western nations with India from a geo-political perspective provides umpteen opportunities.

The revision of Defence Procurement Procedure (DPP), Defence Offset Policy and other Policy initiatives of Government of India coupled with pro-industry dispute resolution mechanism present opportunities for Indian and foreign companies to collaborate & design, develop and showcase their engineering strengths has opened up immense investment opportunities in the sector.

✦ **Opportunities in MRO Sector:**

India, with its growing aircraft fleet size, strategic location advantage, rich pool of engineering expertise, and lower labour costs has huge potential to be a global MRO hub. At present, Airlines operating in India get nearly 90% of their MRO done abroad, mainly due to cost advantages resulting from the comparatively high tax burden, cumbersome operating procedures, and the inadequate MRO service facilities available in India.

India's current MRO market size is estimated to be around USD 750 million. As per Boeing itself, the market is expected to grow at 7% CAGR for the next 7 years to reach USD 1.2 billion by 2020. With the

fleet size likely to more than double by 2020, the need for a strong domestic MRO industry is critical and not just desirable.

Karnataka is the aerospace destination and the undisputed leader for aerospace related manufacturing and services in India, has initiated important measures to promote the industry in general and has extended various incentives and concessions including developing Bengaluru Aerospace Park (BAP) next to the Kempe Gowda International Airport, Bengaluru. The Park is suitable for MRO and aerospace manufacturing activities with access to the runways. A Special Economic Zones (SEZ), Bengaluru Aerospace SEZ (BASEZ) is also available adjacent to the Aerospace Park which would enable the goods and services produced are fully exempted from tax.

#### **Karnataka is committed to encourage investments in MRO and would strive to**

- *Encourage setting up of comprehensive MRO facilities*
- *Encourage airports in the State to support MRO as a strategic activity*
- *Develop globally competitive skills and capabilities*
- *Incentives over and above the incentives offered in this policy will be considered for the first two MRO facilities in Karnataka.*

#### **Progress Achieved in Aerospace Policy 2013-23**

Karnataka Aerospace Policy has been received well by the industry and since 2013-14. We have approved 33 project proposals with a proposed investment of Rs. 14,720 crore with an employment potential for about 10,584 persons.

#### **Need for Amendments**

Karnataka Aerospace Policy 2013-23 became operational from February 2013. The response received so far has been very encouraging. The Industrial Policy 2014-19 has been announced with host of location based attractive incentives and concessions and Industrial Policy 2009-14 ceases to exist. There is ambiguity in applicability of incentives to Aerospace Industry.

Further, the opportunities in the Aerospace Sector have increased many folds, the National Civil Aviation Policy 2016 has also been announced and the MRO sector is seen to be offering huge investment potential in the coming years.

Apart from the above, change in market dynamics, circumstances and requests from the industry, the amendments are proposed with

comprehensive combination of incentives approved in Karnataka Aerospace Policy 2013-23 and well within the broad guidelines of the incentives and concessions offered in the Karnataka Industrial Policy 2014-19.

## **1 Vision**

To position Karnataka as a vibrant aerospace hub of Asia and a globally recognised aerospace destination by creating enabling environment for holistic and sustained growth of the Aerospace Sector.

## **2 Mission**

Policy has a mission to achieve substantial progress in the Aerospace Sector as envisaged below:

### **Phase-I (2013-18)**

- 1. Attract investments to the tune of Rs.24,000 crores (4 Billion USD ) in Aerospace Sector.*
- 2. Create additional employment opportunities (direct and indirect) to about 40,000 persons in the next five years by a process of inclusive development.*
- 3. Increase the contribution of Aerospace sector towards enhancing the share of industry in the State's GDP from 28% to 30%.*

### **Phase-II (2018-23)**

- 1. Attract investments to the tune of Rs.36,000 crores (6 Billion USD) in the Aerospace Sector.*
- 2. Create additional employment opportunities (direct and indirect) to about 60,000 persons in the next five years by a process of inclusive development.*
- 3. Enhance the contribution of Aerospace sector towards increasing the share of industry in the State's GDP from 30% to 32%.*

## **3 Objectives**

- a) To make Karnataka a preferred global destination for manufacturing of aircraft, aircraft systems & sub-systems, assemblies and components.*
- b) To create an eco-system comprising infrastructure, education and R&D to make the State a conducive hot spot for aerospace industry.*
- c) To make Karnataka a magnet for global tier-1 Suppliers. (Annexure-I of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016)*

- d) To make Karnataka as one of the leading MRO hubs in Asia.*
- e) To make available ready to-employ human resource pool for the industry.*
- f) To strengthen R&D infrastructure for achieving innovative and cutting edge technologies.*
- g) To create enhanced facilitation mechanism for ease of doing business through industry friendly policy frame work.*

#### **4 Scope / Coverage**

The scope of policy includes both 'Aerospace Industry' and 'Aerospace Infrastructure'.

- 4.1 Aerospace Industry shall include the units in the aerospace value chain from raw material to finished products which add value to aerospace products/intermediates/residues both hardware and software. The aerospace and allied sectors referred to in this policy document shall include inter alia civil & military aircrafts, rotorcrafts, helicopters, business jets. This also includes design, research, development and prototyping. Further, it will also include guided missile component, UAVs and related components, propulsion units, overhaul machinery, rebuilding, manufacturing components etc.
- 4.2 Aerospace Infrastructure shall include both new establishment, modernization of existing facilities, Maintenance, Repair & Overhaul (MRO), testing facilities, laboratories, storage hubs and silos, warehouses, common Technical and service Centres, Value Addition Centres, Product Certification centres, centre of excellence for research & development, aerospace SEZs, logistics hubs with allied infrastructure, common infrastructure facilities for industry cluster and environment control system and other such infrastructure pertaining to the aerospace sector.

#### **5 Strategies**

##### **5.1 Creation of aerospace eco-system**

- a) Development of state-of-the-art infrastructure conducive for industries, research and capacity building.*
- b) Develop well balanced aerospace industrialization across the state through a process of inclusion.*
- c) Assist in developing Micro, Small, Medium and Large scale industries equally in Aerospace sector.*
- d) Encourage private sector participation in a transparent manner to develop, operate and maintain aerospace infrastructure.*

## 5.2 Development of Aerospace Manufacturing, MSME & MRO sectors

- a) *Develop manufacturing capability in precision machinery for efficient operations.*
- b) *Better utilization and value addition of aerospace products.*
- c) *Value addition to Tier II & III suppliers.*
- d) *Special emphasis to develop MSMEs in the state to remain globally competitive.*
- e) *Provide a favourable environment and special incentives for development of MRO segment. (Annexure-I of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016)*

## 5.3 Boosting exports

- a) *Create brand image of Karnataka as a quality manufacturing destination.*
- b) *Develop key products to gain market dominance.*
- c) *Create new markets and new product lines and develop alternate marketing channels.*
- d) *Encourage high realization and value added exports meeting international standards.*

## 5.4 Harnessing Human Resources and Focus on R&D

- a) *Creating large scale employment opportunities through collaborative modes.*
- b) *Promoting excellence in scientific innovation by encouraging R&D and innovation.*
- c) *Enhance the skill sets of youth through development programs and trainings.*
- d) *Increasing work efficiency and reduction of occupational hazards in aerospace operations.*
- e) *Develop educational and research institutes and training centres, skill development centres, testing centres and other such institutions for capacity building and research capabilities for sustained growth of the sector.*
- f) *Familiarization and exposure towards newer scientific concepts and research & development from hitherto unknown, unexplored areas.*
- g) *Arrange regular technology exchange programs, know-how and training programs to target group's students, researchers, through leadership and academia.*

## 6.0 Policy Measures

### 6.1 Operationalization of BAP and BASEZ

Bangalore Aerospace Park (BAP) and Bangalore Aerospace SEZ (BASEZ) being established by the Government at Devanahalli will be made operational in the next 12 months by providing required infrastructure. This park will be established, maintained and managed through a Special Purpose Vehicle to be constituted with members from Government, industry and professional bodies. These parks will have the following facilities when completed:

- i) *Manufacturing area and SEZ.*
- ii) *MRO with a direct access to the BIAL runway.*
- iii) *Testing centre.*
- iv) *Hardware/embedded technology centre.*
- v) *Technology innovation centre including a certification/calibration centre.*
- vi) *A Common facility centre*
- vii) *Housing.*
- viii) *Any other related activities/facilities (Annexure-I of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016)*

It is proposed to provide 50% of the cost of the land, building, plant and machinery subject to maximum Rs. 20 crores for the testing centre, Rs. 25 crores to the Technology Innovation/Certification/ Calibration Centre and Rs.50 crores for the Common Facility Centre.

### 6.2 Creation of Infrastructure through PPP

Infrastructure is a pre-requisite for sustained economic growth. Karnataka's vision is to "Build strong Public-Private-Partnership in infrastructure to achieve the twin objectives of growth and equity."

The Government will give prime focus on creation of world class infrastructure for aerospace sector. It is proposed to establish Aerospace Parks at potential locations like Mysuru, Hubballi, Mangaluru and Belagavi in phases depending on the demand from industry. These parks will have comprehensive infrastructure facilities like road, captive power generation, water supply, facilities for R&D/testing, finishing schools, housing and health care for employees enabling the units to operate on 'plug and play' concept. Development of such parks would be encouraged through PPP model.

In addition to manufacturing, it is proposed to create a world class Maintenance Repair and Overhaul (MRO) Facility in Bengaluru. It is

also proposed to set up a MRO facility at Mysuru or any other viable location in Karnataka on a PPP mode. (Annexure-I of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016)

It is proposed to develop Greenfield airports at Shivamogga, Vijayapura, Hassan and Kalaburagi through the PPP model. These will be “No-Frill Low-Cost Airports” with investments ranging from Rs.40 crores to Rs.100 crores in a bid to provide air link to small towns suitable for operation of small jets as well as Boeing 737.

Ministry of Civil Aviation and Defence will be persuaded to open the defence airports at Bidar & Karwar for civil aircrafts. Additionally, the State plans to develop Air Strips and helipads at all district headquarters and important industrial destinations which do not have air connectivity. Air Strips will be constructed at Davanagere, Chickmagalur, Udupi, Madikeri, Gokarna, Chitradurga, Bagalkot, Haveri, Gadag and Kollegal.

The above will open up opportunities for developing aerospace activities in tier-2 cities.

### **6.3 Focus on Cluster approach**

It is proposed to develop the aerospace industry through a cluster approach. The cluster approach envisages inclusion of enterprises, financial providers, suppliers, service providers, common facilities such as testing laboratory at potential locations of the State.

It is proposed to create three clusters with the relevant focus areas and institutions as mentioned against each.

#### **South Cluster – Bengaluru, Tumakuru, Mysuru & Mangaluru**

**(Annexure-I of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016)**

- *Bangalore Aerospace Park, Devanahalli.*
- *MRO at KIAL & Mysuru.*
- *Manufacturing cluster at Dakshina Kannada District.*
- *Defence production cluster in the Aerospace sector around HAL Helicopter Unit, Gubbi, Tumakuru*

#### **Central Cluster – Davangere & Chitradurga**

- *Establishment of Aerospace Research & Innovation Centre co-located with IISc proposed at Chitradurga.*
- *Aerospace & Aeronautical University at Davanagere.*
- *Establishment of Flying training school at Davanagere.*



### North Cluster – Belagavi & Bidar

- *Co-locating a Aerospace Training Institute co-located with IAF training centre.*
- *Manufacturing cluster at Belagavi.*

Following financial assistance to the extent of 50% of land, building and Plant/ machinery with ceiling limits as mentioned below is proposed for the development of Aerospace Ecosystem through cluster approach:

(a)	Aerospace Research & Innovation Centre at Chitradurga	50.00 cr(Max)
(b)	Aerospace & Aeronautical University at Davanagere	50.00 cr (Max)
(c)	Flying Training School at Davanagere	50.00 cr (Max)
(d)	Aerospace Training Institute with IIF Training Centre	20.00 cr (Max)
(e)	Manufacturing Cluster at Belagavi	20.00 cr (Max)

The institutions proposed at these location are indicative to develop a favourable ecosystem across the State. However, any knowledge partner comes forward for additional institutes at other locations they would be encouraged depending on the market requirements. (Annexure-I of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016)

### 6.4 Thrust on MSMEs

MSMEs have potential to form the backbone of the global aerospace supply chain. It is proposed to enhance support to MSMEs in the Indian aerospace industry with the aim of making them globally competitive.

MSMEs in the aerospace sector shall have preference in allotment of land in designated Aerospace Parks. At least 30% to 40% of the land in Aerospace Park will be reserved for MSMEs.

For MSMEs, payment of cost towards KIADB land will be considered in instalments, with 40% as upfront and the balance 60% in 12 equal quarterly instalments. This facility will be available only in case where the cost of land is more than Rs. one crore per acre. Further, this provision shall be available only for initial 5 years of the Policy period. The reservation of land for this purpose shall be for a period of two years from the date of advertisement of new Aerospace Park.

Enhanced incentives will be offered to MSMEs to provide a level playing field and make them competitive. MSMEs will be financially supported for obtaining certification like AS-9100 series and NADCAP etc.

Develop and implement special programs to enhance the innovation capabilities of MSMEs in collaboration with industry and academia.

Bangalore Aerospace Park will have a state-of-the-art technology Innovation Centre which will act as a catalyst for MSMEs.

## **6.5 Human Capital Development**

Establishment of specialized training & finishing institutions at potential locations by private sector will be encouraged by way of providing financial support as per para 7 of Annexure-1. 5 acres of land in Aerospace Park would be reserved for such training institution. These institutes are expected to impart training to about 5000 persons annually, which can be easily absorbed by the industry. In-plant training provided by industries will also be encouraged by way of stipend to the trainees.

Government of Karnataka will partner with the industry to set up necessary infrastructure required for avionics labs, assembly shops, sheet metal shops, composite shops relevant to assemblies, sub-assemblies etc., required for the training curriculum. The state will part fund the cost of the machinery under SKKY Scheme and rest will be done through a PPP model with the industry.

### **Annexure-I of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016**

The Aerospace & Aviation Sector Skill Council is established in Bengaluru with Chairman, HAL as the Chairman along with 18 other sector specialists as governing council members with a mandate to define around 90 job roles, certify 5,20,000 trainees and 6,000 qualified instructors over the next 10 years.

Government of Karnataka will actively associate with the Aerospace & Aviation Sector Skill Council in all its endeavours to augment the skills in the sunrise sector.

## **6.6 Academia, Research & Innovation Centre**

The State will endeavour to commission the 'Karnataka Aerospace Research & Innovation Centre' in Karnataka. The Government will give necessary support to make it a world class aerospace research hub. It will have a state of the art laboratory along with an incubation centre for budding Aerospace engineers and entrepreneurs and will be constructed on a PPP model with the state funding up to 50% of the cost of land, building and machinery up to Rs.25 crores.

The Government will separately take up the subject of improving the infrastructure at research laboratories in various engineering colleges

offering Aerospace engineering through the Visweswaraya Technology University. Necessary funds will be made available to these colleges, as one time assistance up to Rs. 5 crores each so that infrastructure can be upgraded in a time bound manner. Government will encourage institutes to set up world class laboratories in partnership with industry.

The state will encourage partnerships between institutes and the industry to identify specific areas of research and provide incentives including providing scholarships for outstanding students and encourage them to take up doctoral and post doctoral research in aerospace engineering, aircraft design and development. Government of Karnataka is taking appropriate steps to encourage more students to pursue Aerospace careers and to attract more university graduates to seek employment in Aerospace engineering. Government will fund specific research programs which have a long term bearing on the industry through the R&D grants. It will also encourage entrepreneurs, start up companies and universities and engineering colleges to come forward and utilize the grants in new technology areas.

#### **6.7 Aerospace University and Flying School**

Government of Karnataka proposes to establish a new Aerospace University in the State in association with a suitable knowledge partner. It is also proposed to have a flying training school to be located within the campus. The University and the flying school will be set up as a Joint Venture between the State and interested investors.

#### **6.8 Funding Ventures through Karnataka Aerospace Venture Capital (KARAVEN) Fund**

It is proposed to infuse capital in innovative ventures by creating an Aerospace Venture Capital Fund (KARAVEN) with a corpus of Rs. 200 crores with participation of Government (to the extent of Rs. 50 crores), financial institutions and other investors. The fund will enable MSMEs to bring in required equity enabling ease of borrowings for various new projects as well as for scaling up existing projects.

#### **6.9 Facilitation**

Investors will be provided with better facilitation at the stages of implementation and operation, so that, they can do their business with ease and less transaction cost. Karnataka Udyog Mitra will continue to act as the nodal agency.

### **6.10 Incentives and concessions**

To attract investments in Aerospace sector and also to provide level playing field to the industries, attractive package of incentives and concessions will be offered by the Government. (Annexure-I of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016)

**The details of incentives and concessions are at Appendix-1.**

### **6.11 Implementation mechanism**

The policy has set a tall target to achieve especially in mobilising investments to Aerospace sector and creating employment opportunities. A High Level Inter Departmental Review Committee will be constituted under the Chairmanship of Chief Secretary to regularly review implementation of all provisions of the policy and achieving the targets.

A Working Sub-Committee under the Chairmanship of Commissioner for ID and Director of I&C will also be constituted in the Department of I&C to regularly monitor implementation of the Policy. This Committee will ensure that, necessary facilitation is extended to investors and provide feedback to the High Level Committee on the progress at regular intervals.

A Vision Group on Aerospace, Defence & MRO sector headed by Sector expert and maximum of 9 other members with Commissioner for Industrial Development and Director of Industries & Commerce as member secretary would be constituted with a mandate to promote investments in the sector, make specific recommendations to Government on suitable course of action to be taken to implement Aerospace Policy and organise Annual/ Biennial trade show and conferences. (Annexure-I of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016)

### **6.12 Definitions and Terms & conditions**

Karnataka Aerospace Policy 2013-2023 shall come into effect from 06/02/2013 and shall be in force for a period of 10 years i.e., upto 31/01/2023.

Terms and conditions with the special reference to sanction of incentives and concessions are detailed in Appendix - 2.

\* \* \*

**Appendix-1**

## **Incentives & Concessions for Aerospace Enterprises**

**(Annexure-III of G.O No. CI 17 SPI 2012(P7), DATED: 08.09.2016)**

The Zonal classifications as mentioned in 2014-19 Industrial Policy is applicable to the Aerospace Enterprises as defined in Appendix-2 of the Aerospace Policy 2013-23.

Aerospace Enterprises coming up in Zone 4 of other than Hyderabad Karnataka Area will be eligible to avail incentives and concessions available for units in Zone-3 of other than Hyderabad Karnataka area including the Aerospace Enterprises in the designated Aerospace Park/s and those who have taken Industrial Licenses from Gol.

Aerospace Enterprises coming up outside the designated Aerospace Park/s and those who have not taken Industrial Licenses from Gol in Zone 4 of other than Hyderabad Karnataka Area would be eligible to avail incentives and concessions available for units in Zone-3 of other than Hyderabad Karnataka area, subject to approval of the Technical Committee which would be constituted & mandated to certify / define aerospace enterprises.

Aerospace Enterprises coming up in rest of Karnataka & in all other Zones other than Zone 4 of Non HK area would be eligible for incentives and concessions as applicable in the respective Zones.

The following incentives & concessions shall be offered to Aerospace Enterprises :

**1. Micro, Small & Medium Enterprises**

**A) Investment Promotion Subsidy**

**a) Micro Enterprises**

**i) Other than Hyderabad - Karnataka Area**

Zone – 1: 25% Value of Fixed Assets (VFA) (max. Rs. 15.00 lakh)

Zone – 2: 20% Value of Fixed Assets (VFA) (max. Rs.12.00 lakh)

Zone – 3: 15% Value of Fixed Assets (VFA) (max. Rs.9.00 lakh)

Zone – 4: 15% Value of Fixed Assets (VFA) (max. Rs.9.00 lakh)

**ii) Hyderabad - Karnataka Area**

HK Zone – 1: 30% Value of Fixed Assets (VFA) (max. Rs. 18.00 lakh)

HK Zone – 2: 25% Value of Fixed Assets (VFA) (max. Rs.15.00 lakh)

**b) Small Enterprises**

**i) Other than Hyderabad Karnataka Area**

Zone – 1: 20% Value of Fixed Assets (VFA) (max. Rs.40.00 lakh)

Zone – 2: 15% Value of Fixed Assets (VFA) (max. Rs.30.00 lakh)

Zone – 3: 10% Value of Fixed Assets (VFA) (max. Rs.20.00 lakh)

Zone – 4: 10% Value of Fixed Assets (VFA) (max. Rs.20.00 lakh)

**ii) Hyderabad Karnataka Area**

HK Zone – 1: 25% Value of Fixed Assets (VFA) (max. Rs.45.00 lakh)

HK Zone – 2: 20% Value of Fixed Assets (VFA) (max. Rs.40.00 lakh)

**c) Medium Manufacturing Enterprises (as defined in MSME Act and those who provide minimum of 25 direct employment)**

**i) Other than Hyderabad Karnataka Area**

Zone – 1: Rs. 50.00 lakh

Zone – 2: Rs.40.00 lakh

Zone – 3: Rs.30.00 lakh

Zone – 4: Rs.30.00 lakh

**ii) Hyderabad - Karnataka Area**

HK Zone – 1: Rs. 55.00 lakh

HK Zone – 2: Rs. 50.00 lakh

**Note:**

- a) The Investment Promotion Subsidy will be available only to enterprises availing a minimum of 50% term loans on eligible fixed assets from Financial Institution/Banks. Such eligible units shall claim Investment Promotion subsidy within one year from the date of commencement of commercial production.
- b) There is no restriction on the quantum of loan to be availed from the financial institutions for availing other incentives and tax based incentives. Own financed units are also eligible for other incentives and tax based incentives.

**B) Exemption from Stamp Duty**

Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government and/or State Financial 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 and (ii) for lease deeds, lease-cum-sale, sub-lease and absolute sale deeds executed by Aerospace enterprises in respect of industrial plots, sheds, industrial tenements by KIADB, KSSIDC, KEONICS, Industrial Co-operatives and approved private industrial estates/parks shall be exempted as below:

**i) Other than Hyderabad Karnataka Area**

Zone – 1: 100%

Zone – 2: 100%

Zone – 3: 75%

Zone – 4: 75%

**ii) Hyderabad Karnataka Area**

HK Zone – 1: 100%

HK Zone – 2: 100%

**C) Concessional Registration Charges**

For all loan documents, lease deeds and sale deeds as specified in B above, the registration charges shall be at a concessional rate of Rs.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 1964 and also for direct purchase of industrially converted lands for the projects approved by SLSWCC / DLSWCC.*
- (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 which was in vogue at the time of execution of lease-cum-sale deed.*

**D) Reimbursement of Land Conversion Fee**

The payment of land conversion fee for converting the land from agriculture use to industrial use will be reimbursed as detailed below:

**i) Other than Hyderabad Karnataka Area**

Zone – 1: 100%

Zone – 2: 100%

Zone – 3: 75%

Zone – 4: 75%

**ii) Hyderabad Karnataka Area**

HK Zone – 1: 100%

HK Zone – 2: 100%

**E) Exemption From Entry Tax**

MSMEs in Zone – 1, 2, 3 & 4 of other than HK area and HK Zone – 1 & 2 are eligible for 100% exemption from payment of Entry Tax 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, Equipments procured 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.

**F) Subsidy for Setting up Effluent Treatment Plant (ETP)**

One time capital subsidy up to 50% of the cost of ETP, subject to a ceiling of Rs.50 lakh in all Zones

**G) Interest Subsidy for Micro Enterprises:**

Interest subsidy of 5% per annum on term loans will be provided to Micro enterprises. This interest subsidy is payable to financial institutions on behalf of the enterprise only if the enterprise has not defaulted in payment of either principle or interest instalments. The amount of interest subsidy will be effective rate of interest (after deducting interest subsidy receivable by any institution/s under any Government of India scheme) or 5% per annum whichever is less. The period of interest subsidy is 6 years, 5 years, 4 years and 4 years in other than HK Zone – 1, Zone - 2, Zone – 3 & Zone-4 and 7 years and 6 years in HK Zone - 1 & HK Zone - 2, respectively.

**H) Exemption from Tax on Electricity Tariff**

100% exemption of tax on electricity tariff for the initial period of Six years, five years, four years, four years, Seven years and Six years in Zone -1, Zone-2, Zone-3, Zone 4, HK Zone – 1 & HK Zone - 2, respectively.

**I) Technology Upgradation, Quality Certification**

**(i) Interest Subsidy on Technology Upgradation Loan:**

*Zone -1, 2, 3,4 & HK Zone 1 & 2 : 5 % on loans availed from KSFC & Scheduled commercial banks, which are not covered under CLCSS of Government of India.*

**(ii) ISO Series Certification:**

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



**(iii) 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 in all zones.

**(iv) Technology Adoption:**

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

**(v) Recycling of electronic waste and plastic waste:**

Additional investment promotion subsidy of 5% with a ceiling limit of Rs.10 lakh in zone 1,2,3,4 and HK Zone – 1 & 2

**J) Water Harvesting /Conservation Measures**

Small and Medium Manufacturing Enterprises in all Zones

- (i) Rain water harvesting: 50% of cost of equipment (max. Rs.1.00 lakh)
- (ii) Waste water recycling: 50% of cost of equipment (max.Rs.5.00 lakh)
- (iii) Zero discharge process: 50% of cost of equipment (max.Rs.5.00 lakh)

**K) Energy Conservation**

**MSMEs 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.5.00 lakh).

Use of non-conventional energy sources: 10% of capital cost (max. Rs.5.00 lakh)

Subsidy of Rs.0.50 per unit of Captive Power Generated and consumed through Solar & Wind Energy sources only.

**2. Incentives and Concessions to Large, Mega, Ultra Mega and Super Mega Enterprises**

**A) Exemption from Stamp Duty**

Stamp duty to be paid in respect of (i) loan agreements, credit deeds, mortgage and hypothecation deeds executed for availing loans from State Government including VAT/KGST loan from Department and / or State Financial Corporation, Industrial Investment Development Corporation, National Level Financial Institutions, Commercial Banks, RRBs, Co-operative Banks, and other institutions which may be notified by the Government from time to time only and (ii) for lease deeds, lease-cum-sale, sub-lease and absolute sale deeds executed by

Aerospace Enterprises in respect of industrial plots, sheds, industrial tenements, by KIADB, KEONICS, KSIIDC, Industrial Co-operatives and approved private industrial estates/parks shall be exempted as below:

**i) Other than Hyderabad - Karnataka Area**

Zone – 1: 100%

Zone – 2: 100%

Zone – 3: 75%

Zone – 4: 75%

**ii) Hyderabad - Karnataka Area**

HK Zone – 1: 100%

HK Zone – 2: 100%

**B) Concessional Registration Charges**

For all loan documents, lease deeds and sale deeds as specified in A above, the registration charges shall be at a concessional rate of Rs.1.00 per Rs.1,000.

**Note:**

- (i) *The exemption of stamp duty and concessional registration charges are also applicable to lands purchased under Section 109 of the KLR Act 1964 and also for direct purchase of industrially converted lands for the projects approved by SHLCC / SLSWCC.*
- (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 which was in vogue at the time of execution of lease-cum-sale deed.*

**C) Reimbursement of Land Conversion Fee**

The payment of land conversion fee for converting the land from agriculture use to industrial use will be reimbursed as detailed below:

**i) Other than Hyderabad - Karnataka Area**

Zone – 1: 100%

Zone – 2: 100%

Zone – 3: 75%

Zone – 4: 75 %

**ii) Hyderabad - Karnataka Area**

HK Zone – 1: 100%

HK Zone – 2: 100%

**D) Exemption from Electricity duty**

100% exemption of electricity duty / tax shall be available for initial period as given below in all zones:

<i>Large</i>	:	<i>6 years</i>
<i>Mega</i>	:	<i>5 years</i>
<i>Ultra Mega</i>	:	<i>4 years</i>
<i>Super Mega</i>	:	<i>4 years</i>

**E) Entry Tax Exemption**

In other than HK Zone 1, 2 3 & 4 and HK Zone – 1 & 2 these units are eligible for 100% exemption from payment of Entry Tax on 'Plant & Machinery and Capital Goods' for an initial period of 3 years for large and mega and 5 years for ultra mega and super mega enterprises from the date of commencement of project implementation. For this purpose, the term Plant & Machinery and Capital Goods also includes Plant & Machinery, Equipments procured 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. In respect of Mega, Ultra Mega and Super Mega Enterprises, additional One, Two and Three years will be allowed respectively for operational period.

**F) Subsidy for Setting up ETPs**

One time capital subsidy up to 50% of the cost of Effluent Treatment Plants (ETPs), subject to a ceiling of Rs.200 lakhs in all zones.

**G) Interest free loan on VAT to Large, Mega, Ultra Mega and Super Mega Enterprises on Net VAT and CST.**

All Large, Mega, Ultra Mega & Super Mega Enterprises established in Zones 1, 2, 3, 4 and HK Zone – 1 & 2 will be eligible for an interest free loan on Net VAT and CST, subject to industries providing minimum number of direct employment as specified.

Investment range on fixed assets (Rs.cr.)	Interest free loan in other than Hyderabad Karnataka area	Interest free loan in Hyderabad Karnataka area																								
<p>Large Enterprises: (i.e. investment on fixed assets above Rs.10 crore to Rs.250 crore)</p> <p>Minimum direct Employment 20 Number for first Rs.10 crore &amp; additional 30 employment for every additional investment of Rs.50 crore proportionately.</p>	<p>100% of Net VAT + CST will be sanctioned as interest free loan from the date of commencement of commercial production as follows</p> <table border="1" data-bbox="511 778 869 991"> <thead> <tr> <th>Zone</th> <th>Max. Period</th> <th>Loan limit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>9</td> <td>65% of VFA</td> </tr> <tr> <td>2</td> <td>8</td> <td>50% of VFA</td> </tr> <tr> <td>3</td> <td>7</td> <td>40% of VFA</td> </tr> <tr> <td>4</td> <td>7</td> <td>40% of VFA</td> </tr> </tbody> </table> <p>The loan shall be repaid as follows:</p> <p>The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year &amp; so on.</p> <p>This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</p>	Zone	Max. Period	Loan limit	1	9	65% of VFA	2	8	50% of VFA	3	7	40% of VFA	4	7	40% of VFA	<p>100% of Net VAT+CST will be sanctioned as interest free loan from the date of commencement of commercial production as follows</p> <table border="1" data-bbox="889 778 1197 919"> <thead> <tr> <th>Zone</th> <th>Max. Period</th> <th>Loan limit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>10</td> <td>75% of VFA</td> </tr> <tr> <td>2</td> <td>9</td> <td>60% of VFA</td> </tr> </tbody> </table> <p>The loan shall be repaid as follows:</p> <p>The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year &amp; so on.</p> <p>This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</p>	Zone	Max. Period	Loan limit	1	10	75% of VFA	2	9	60% of VFA
Zone	Max. Period	Loan limit																								
1	9	65% of VFA																								
2	8	50% of VFA																								
3	7	40% of VFA																								
4	7	40% of VFA																								
Zone	Max. Period	Loan limit																								
1	10	75% of VFA																								
2	9	60% of VFA																								

Investment range on fixed assets (Rs.cr.)	Interest free loan in other than Hyderabad Karnataka area	Interest free loan in Hyderabad Karnataka area																								
<p>Mega Enterprises: (i.e. investment on fixed assets above Rs.250 crore to Rs.500 crore)</p> <p>Minimum direct Employment 180 Number for first Rs.250 crore &amp; additional 30 employment for every additional investment of Rs.50 crore proportionately.</p>	<p>100% of Net VAT + CST will be sanctioned as interest free loan from the date of commencement of commercial production as follows</p> <table border="1" data-bbox="511 778 869 990"> <thead> <tr> <th>Zone</th> <th>Max. Period</th> <th>Loan limit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>10</td> <td>80% of VFA</td> </tr> <tr> <td>2</td> <td>9</td> <td>60% of VFA</td> </tr> <tr> <td>3</td> <td>8</td> <td>50% of VFA</td> </tr> <tr> <td>4</td> <td>8</td> <td>50% of VFA</td> </tr> </tbody> </table> <p>The loan shall be repaid as follows:</p> <p>The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year &amp; so on.</p> <p>This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</p>	Zone	Max. Period	Loan limit	1	10	80% of VFA	2	9	60% of VFA	3	8	50% of VFA	4	8	50% of VFA	<p>100% of Net VAT+CST will be sanctioned as interest free loan from the date of commencement of commercial production as follows</p> <table border="1" data-bbox="886 778 1205 917"> <thead> <tr> <th>Zone</th> <th>Max. Period</th> <th>Loan limit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>11</td> <td>90% of VFA</td> </tr> <tr> <td>2</td> <td>10</td> <td>75% of VFA</td> </tr> </tbody> </table> <p>The loan shall be repaid as follows:</p> <p>The loan availed in the first year shall be repaid in the 11th year and the Second year in the 12th year &amp; so on.</p> <p>This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</p>	Zone	Max. Period	Loan limit	1	11	90% of VFA	2	10	75% of VFA
Zone	Max. Period	Loan limit																								
1	10	80% of VFA																								
2	9	60% of VFA																								
3	8	50% of VFA																								
4	8	50% of VFA																								
Zone	Max. Period	Loan limit																								
1	11	90% of VFA																								
2	10	75% of VFA																								

<b>Investment range on fixed assets (Rs.cr.)</b>	<b>Interest free loan in other than Hyderabad Karnataka area</b>	<b>Interest free loan in Hyderabad Karnataka area</b>																								
<p>Ultra Mega Enterprises: (i.e. investment on fixed assets above Rs.500 crore upto Rs.1000 crore)</p> <p>Minimum direct Employment 350 Number for first Rs.500 crore &amp; additional 30 employment for every additional investment of Rs.50 crore proportionately.</p>	<p>100% of Net VAT + CST will be sanctioned as interest free loan from the date of commencement of commercial production as follows</p> <table border="1" data-bbox="506 757 865 968"> <thead> <tr> <th>Zone</th> <th>Max. Period</th> <th>Loan limit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>11</td> <td>85% of VFA</td> </tr> <tr> <td>2</td> <td>10</td> <td>75% of VFA</td> </tr> <tr> <td>3</td> <td>9</td> <td>60% of VFA</td> </tr> <tr> <td>4</td> <td>9</td> <td>60% of VFA</td> </tr> </tbody> </table> <p>The loan shall be repaid as follows:</p> <p>The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year &amp; so on.</p> <p>This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</p>	Zone	Max. Period	Loan limit	1	11	85% of VFA	2	10	75% of VFA	3	9	60% of VFA	4	9	60% of VFA	<p>100% of Net VAT+CST will be sanctioned as interest free loan from the date of commencement of commercial production as follows</p> <table border="1" data-bbox="886 757 1203 899"> <thead> <tr> <th>Zone</th> <th>Max. Period</th> <th>Loan limit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>12</td> <td>95% of VFA</td> </tr> <tr> <td>2</td> <td>11</td> <td>85% of VFA</td> </tr> </tbody> </table> <p>The loan shall be repaid as follows:</p> <p>The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year &amp; so on.</p> <p>This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</p>	Zone	Max. Period	Loan limit	1	12	95% of VFA	2	11	85% of VFA
Zone	Max. Period	Loan limit																								
1	11	85% of VFA																								
2	10	75% of VFA																								
3	9	60% of VFA																								
4	9	60% of VFA																								
Zone	Max. Period	Loan limit																								
1	12	95% of VFA																								
2	11	85% of VFA																								

<b>Investment range on fixed assets (Rs.cr.)</b>	<b>Interest free loan in other than Hyderabad Karnataka area</b>	<b>Interest free loan in Hyderabad Karnataka area</b>																								
<p>Super Mega Enterprises: (i.e. investment on fixed assets above Rs.1000 crore)</p> <p>Minimum direct Employment 750 Number for first Rs.1000 crore and additional 30 employment for every additional investment of Rs.200 crore proportionately.</p>	<p>100% of Net VAT + CST will be sanctioned as interest free loan from the date of commencement of commercial production as follows</p> <table border="1" data-bbox="513 760 868 971"> <thead> <tr> <th>Zone</th> <th>Max. Period</th> <th>Loan limit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>13</td> <td>95% of VFA</td> </tr> <tr> <td>2</td> <td>12</td> <td>85% of VFA</td> </tr> <tr> <td>3</td> <td>11</td> <td>75% of VFA</td> </tr> <tr> <td>4</td> <td>11</td> <td>75% of VFA</td> </tr> </tbody> </table> <p>The loan shall be repaid as follows:</p> <p>The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year &amp; so on.</p> <p>This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</p>	Zone	Max. Period	Loan limit	1	13	95% of VFA	2	12	85% of VFA	3	11	75% of VFA	4	11	75% of VFA	<p>100% of Net VAT+CST will be sanctioned as interest free loan from the date of commencement of commercial production as follows</p> <table border="1" data-bbox="890 760 1201 902"> <thead> <tr> <th>Zone</th> <th>Max. Period</th> <th>Loan limit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>14</td> <td>100% of VFA</td> </tr> <tr> <td>2</td> <td>13</td> <td>95% of VFA</td> </tr> </tbody> </table> <p>The loan shall be repaid as follows:</p> <p>The loan availed in the first year shall be repaid in the 11th year and the second year in the 12th year &amp; so on.</p> <p>This incentive is limited to either the period or loan limits whichever is reached earlier and no carry forward is permitted.</p>	Zone	Max. Period	Loan limit	1	14	100% of VFA	2	13	95% of VFA
Zone	Max. Period	Loan limit																								
1	13	95% of VFA																								
2	12	85% of VFA																								
3	11	75% of VFA																								
4	11	75% of VFA																								
Zone	Max. Period	Loan limit																								
1	14	100% of VFA																								
2	13	95% of VFA																								

**3. Anchor unit subsidy**

Anchor Unit Subsidy of Rs. 5.00 crore shall be offered to the first ten Aerospace Manufacturing Enterprises with a minimum investment of Rs. 250 crore and direct employment of 150 persons established during the policy period.

**4. Support for capacity building**

For the in-plant training provided by the industries, the cost of training would be subsidised by way of offering stipend upto 50% of the cost of training subject to a limit of Rs.10,000/- per month per trainee. This incentive shall be available for maximum of 50 trainees per industry per annum. The benefit shall be available for 1000 candidates per annum.

**5. Special Package of Incentives & Concessions to MRO facilities**

Incentives and concessions over and above the incentives and concessions offered in this policy will be considered for the first two MRO facilities in Karnataka in support of the National Civil Aviation Policy 2016 of Gol.

**6. Special Package of Incentives & Concessions to Regional Civil Aviation facilities:**

Incentives and concessions over and above the incentives and concessions offered in this policy will be considered for the first two Regional Civil Aviation facilities in Karnataka in support of the National Civil Aviation Policy 2016 of Gol.

**7. Special Package of Incentives & Concessions:**

Special package of incentives/concessions and relaxation in the conditions mentioned in the policy will be considered for Ultra Mega and Super Mega Aerospace Enterprises only by giving due weightage to investment, location of the project, direct and indirect employment to be generated and potential for attracting further investment through vendors and ancillaries.

**8. Technical Committee to certify/define an aerospace enterprise**

A Technical Committee will be constituted under the Chairmanship of a Sector expert and a maximum of 4 other members with Joint Director (ID), Dept., of Industries & Commerce as Member Secretary with a mandate to certify/define aerospace enterprises claiming incentives and concessions under the amended Aerospace Policy 2013-23 and coming up outside the designated Aerospace Park/s in Zone 4 of other than Hyderabad Karnataka area, who have not taken Industrial Licenses from Gol.

Aerospace Enterprises coming up in the designated Aerospace Park/s in Zone 4 of other than Hyderabad Karnataka Area and those who have taken Industrial Licenses from Gol will be automatically eligible to avail incentives and concessions without coming before the Technical Committee for certification.

\* \* \* \* \*



## Definitions and Terms & Conditions for sanction of Incentives and Concessions

- 1 Definition of Micro, Small and Medium Aerospace Enterprises shall be as defined in the MSMED Act, 2006 of Govt. of India. Whenever, Govt. of India revises the definitions, the revised definitions shall be made applicable under this policy also.
- 2 Large Scale Aerospace Enterprises is one where investment on plant & machinery is more than 10 crores in respect of manufacturing activities and Rs. 5 crores in respect of service oriented activities and the upper limit is up to Rs. 250 crores of the project cost.
- 3 Mega Aerospace Enterprise is one where the project cost of the proposed project is more than Rs. 250 crores and up to Rs. 500 crores and employment for at least 250 persons.
- 4 Ultra Mega Aerospace Enterprise is one where the investment on the project is more than Rs. 500 crores and up to Rs. 1000 crores and employment for at least 500 persons.
- 5 Super Mega Aerospace Enterprise is one where the investment on the project is more than Rs.1000 crores and direct employment for at least 1000 persons.
- 6 Aerospace industry shall include the following activities:
  - a) *Aircraft /Gliders*
  - b) *Guided missiles*
  - c) *Space vehicles*
  - d) *Aircraft engines*
  - e) *Propulsion units*
  - f) *Aircraft overhauling & Re-building*
  - g) *Manufacturing of components exclusively required for Aerospace sector*
  - h) *Any other activities to be notified by the Government from time to time.*
- 7 Aerospace Enterprises as defined by Gol for the purpose of issuing Industrial License shall qualify as Aerospace unit under this policy.
- 8 Project cost includes the investment on land, building, plant & machinery, preoperative expenses, working capital margin etc.

- 9 Fixed Asset: Fixed assets shall mean the total investment made on land, building and plant & 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.
- 10 Sanction of Incentives & Concessions as per this Government Order is Subject to the following terms and Conditions:
- a) All new Aerospace Enterprises shall create maximum possible additional employment opportunities and provide a minimum 80% of employment to the local people on an overall basis [100% employment to local people in case of Group C & D categories will be insisted] and this will be monitored during disbursement of incentives and concessions.  
  
(The above requirements regarding employment to local people will be monitored by the DIC for a period of 5 years. Failure of the industries to provide employment to local people as stipulated above will be reported to the concerned DLSWCC/SLSWCC/SHLCC, which will recommend for recovery of incentives and concessions sanctioned to the unit, for which purpose a suitable undertaking will have to be furnished by the unit concerned before sanctioning incentives and concessions).
  - b) The incentives and concessions as per this Policy shall be applicable only to all new and additional investments made on or after 06/02/2013.
  - c) The incentives and concessions under this policy will be available to all new investments both for establishment of new Enterprises or for expansion, diversification and modernization of existing industries. To be eligible for considering as expansion/diversification/modernization, enterprises shall make an additional investment of at least 50% of the original investment of the existing unit.
  - d) The definition of Micro, Small, Medium Enterprises and Large Scale Industry as indicated above shall automatically stand revised as and when Government of India makes any changes in such definition and benefits under this package shall be available to the Micro, Small, Medium Enterprises and Large Scale Industry as per the new definition from the respective dates.
  - e) The validity of incentives and concessions as per this order shall be for a period of ten years from 06/02/2013.

- f) The incentives and concessions under this policy will come into force from 06/02/2013. Wherever Aerospace Enterprises availed subsidy/interest subsidy under any other schemes of Govt. of Karnataka/Govt. of India, only differential amount of Subsidy/interest subsidy, if any, would be provided under this policy. However, Industrial Enterprises which are in the process of being established at the time of announcement of this Aerospace Policy, shall have an option of availing incentives and concessions under the 2009-14 policy provided, loan is sanctioned by the financial institution prior to announcement of Aerospace Policy and subject to fulfilment of following conditions:
- i) First release of the loan should be before the announcement of Aerospace Policy.*
  - ii) Supply orders should have been placed for all the plant and machineries.*
  - iii) Such Enterprises shall commence commercial production on or before six months from the date of announcement of Aerospace Policy.*

The above option should be exercised within the months from the date of announcement of Aerospace Policy and should be registered with Commissioner for Industrial Development and Director of Industries and Commerce, Bangalore or in Office of the concerned District Industries Centres with necessary documentary evidence. Options once exercised cannot be withdrawn and shall be binding. Enterprises which do not exercise such option and do not fulfil all the conditions shall automatically be governed by the provisions of this order.

- g) 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 State Level Coordination Committee under the Chairmanship of the Principal Secretary to Government, C&I Department; which has already been constituted under Industrial Policy 2009-14. Interpretation of Government Orders and decision thereon of this State Level Coordination Committee shall be final.