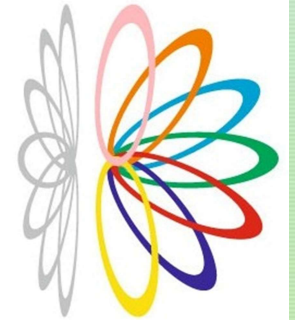




A broad glance towards

Incentives for MSME: GoK

And perhaps what you have missed or are missing out on..



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Caveats & limitation of liability

- This is my no means a compendium of the MSME incentives available.
- This document highlights ONLY the key incentives which works to almost 45-50% of the investment in any project made by any MSME promoter.
- Note that this document does not include ways to get IT benefits of GoI incentives, such are shared only if there is a business case.
- The document has been compiled based on personal experience, GoK policies and multiple meetings with various GoK departments, it does not offer any guarantees of award of incentives.
- This document has been prepared by M/s. Deccan Investments & Advisors, Bengaluru (www.diallp.biz) on the initiative of M/s Spectra (www.spectrafin.com) in view of their observation of the number of MSME not getting what they should get.
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- Apart from Karnataka, Spectra & DIA also handle such assignments in Telangana, AP, Govt of India and Govt of Odisha. Kindly also note that we are sector agnostic.

Categorization of industrial sectors

- Priority sectors (where maximum incentives available are):
 - Automobiles & Auto components (including Electric Vehicles).
 - Pharmaceuticals & Pharma Devices;
 - Engineering services and Machine tools manufacture;
 - Knowledge based industries (such as software development, software training, 3D printing/prototyping services, software product development) – comes under MSME Sarthak scheme where the state gives special incentives
- Core sectors (sectors which exist, but govt wants latest technology or new processes)
 - Cement
 - Steel
 - Sugar
 - Logistics parks
 - Renewable energy (including Group captive solar, micro-hydro electric and own windmill plants)
 - Aerospace & Defence
 - Healthcare & Wellness resorts and facilities
 - Specialized higher education including CAE, AI training and Chat GPT training

Focus districts & industries/zones

- Tailor made incentives available for these industries in these districts

District	Promotion industry
Kalaburgi	Solar panels, invertors, capacitor banks, laminators
Chitradurga	LED
Hassan	Toilet and bathroom fittings (stone or ceramic)
Koppal	Toys
Mysuru	Printed Circuit Boards
Ballari	Textiles
Chikkaballapura	Mobile phone components/parts
Tumakuru	Sports goods
Bidar	Agricultural machinery
Dharwad	Home/Personal care items
Shivamogga	Health & Wellness resorts

Key elements of Sarthak scheme

- Applied to CoE/R&D in backward districts / focus districts
- Government gives up to INR 50 cr as special incentive
- Connects the CoE/R&D to other companies applying to buy/license these technologies
- Up to 22.65% of KIADB lands are reserved for these units
- UP to 20% lands acquired by KIADB shall be reserved for MSME units (specific situations and conditions apply)
- Special working capital and term loan interest rates apply to such units in KIADB land in focus districts

Capital incentive (general): all MSME (except SC/ST/Minority)

- All MSME can apply for equity capital under MSME manufacturing sector.
- MSME fund is about INR 100 cr, renewed each budget and order of disbursement is FIFO.
- Any MSME participating in any exhibition, the GoK shall provide INR 50,000 to INR 1 lakh as support for the stall and the exhibition related costs including lunch/tea for the stall attenders
- For DPR presentation, in case travel, overseas partner meeting is needed, GoK shall provide up to INR 1 lakh as support
- UP to 20% lands acquired by KIADB shall be reserved for MSME units (specific situations and conditions apply)
- Working capital support:
 - INR 50,000 per person if the R&D center is manned by tribals and lower developed people.
 - For prototype preparation up to 100 pcs, up to INR 10 lakh will be paid by GoK {condition: The cluster must produce / sell 4x INR 10 lakh in 1 financial year following prototype approval}
 - Machinery upgrade, GoK shall provide up to INR 3 lakh per machine for upgrade provided the product output matches focus area or focus districts.

* Note that all schemes need the unit to register as MSME with GoK ** Zone is defined in page 4

One-time incentives (except SC/ST/ Minority)*

Incentive	Micro	Small	Medium	Remarks
Sarthak	Applies	Applies	Applies	Discussed earlier
Reserved Land	Up to 0.5 acres	Up to 2 acres	UP to 5 acres	Depends on availability
Equity capital	Up to INR 25 lakhs	Up to INR 2 cr	UP to INR 5 cr	Max fund available INR 100 cr
Promotion	Up to INR 50,000	Up to INR 1 lakh	Up to INR 1 lakh	For participation in exhibitions
DPR support	Up to INR 50,000	Up to INR 1 lakh	Up to INR 1 lakh	For any technology absorption study up to 1 week
	Up to INR 1 lakh	Up to INR 2 lakh	Up to INR 2 lakh	For any technology tieup study up to 2 weeks
	Up to INR 1.5 lakh	Up to INR 3 lakh	Up to INR 3 lakhs	For any technology tieup study up to 3 weeks
Upgradation	Up to INR 1 lakh**	Up to INR 3 lakh	Up to INR 3 lakh	** Maybe up to INR 3 lakhs if unit is a R&D/CoE registered with GoK
Investment	Zone 1: 30% Zone 2: 25% Zone 3: 0	Zone 1: 25% Zone 2: 20% Zone 3: 0	Zone 1: 2.5% of sales turnover for 6 years Zone 2: 2.5% of sales turnover for 5 years Zone 3: 0	Not that for Medium enterprises, annual audit will be conducted by the competent authority

* Note that all schemes need the unit to register as MSME with GoK ** Zone is defined in page 4 *** In case of non KIADB land

Recurring Incentives (except SC/ST/ Minority)*

Incentive	Micro	Small	Medium	Remarks
Electricity duty @ 8%	Zone 1: 100% Zone 2: 100% Zone 3: 0	Zone 1: 100% Zone 2: 100% Zone 3: 100%	Zone 1: 100% Zone 2: 100% Zone 3: 100%	Land registration stamp duty
Electricity rate subsidy	INR 1 discount from normal industrial rate	INR 1 discount from normal industrial rate	Nil	Discount on electricity unit rate
Artisan industry loans (hand working)	Term loan: 4% pa Working Capital loans: 4%	Term loan: 4% pa Working Capital loans: 4%	Term loan: 4% pa Working Capital loans: 4%	Max fund available INR 100 cr
Land conversion fee***	Zone 1: 100% Zone 2: 100% Zone 3: 0	Zone 1: 100% Zone 2: 100% Zone 3: 0	Zone 1: 100% Zone 2: 100% Zone 3: 0	For private buyers
Technology upgrade/JV costs	Zone 1 : 5% for 6 years Zone 2 : 5% for 5 years Zone 3 : 5% for 5 years *	Zone 1 : 5% for 6 years Zone 2 : 5% for 5 years Zone 3 : 5% for 5 years *	Zone 1 : 5% for 6 years Zone 2 : 5% for 5 years Zone 3 : 5% for 5 years *	KSFC and Scheduled bank loans are excluded from this scheme
New tech/machine buy	25% max cost	25% max cost	25% max cost	Only in defined zones
CoE/R&D/Startup incubators	25% of project cost	25% of project cost	25% of max cost	Up to max value of INR 50 lakhs
Training Centers in defines zones	ISO certification: INR 50,000 BIS: 50% of cost	ISO certification: INR 50,000 BIS: 50% of cost	ISO certification: INR 50,000 BIS: 50% of cost	BIS total cost includes machines needed for that certification
Rain water harvesting	50% of total cost	50% of total cost	50% of total cost	In all zones

* Note that all schemes need the unit to register as MSME with GoK ** Zone is defined in page 4 *** In case of non KIADB land

Recurring Incentives (except SC/ST/ Minority)*

Incentive	Micro	Small	Medium	Remarks
STP	50% of total cost	50% of total cost	50% of total cost	In all zones
Annual water audit costs	50% of total cost	50% of total cost	50% of total cost	In all zones
Zero discharge projects	50% cost of equipment	50% cost of equipment	50% cost of equipment	In all zones
E-Waste recycling	5% of value recycled	5% of value recycled	5% of value recycled	In all zones
STP facility setup	50% of STP cost	50% of STP cost	50% of STP cost	All zones, incl civil works

General recommendations

- If any MSME is able to all documentation as per the rules, up to 45% of his investment will come back (unlinked to sales);
- It is highly recommended to seek professional help – not because this document comes from us – but because a LOT of follow up with many government officers and departments are needed.
- Women are specifically excluded as women entrepreneurs are entitled to custom made incentive packages.
- SC/ST/Minority is the same as women entrepreneurs – hence excluded.
- In case you have started your unit already and not registered as per the procedures of the GoK – there is nothing to panic, We know how to fix those also.
- It is important to note that all incentives do take a lot of time to come (depending on the political situation, IAS transfers etc) and hence to avail this service, some patience is advised. Our standard hand holding of any MSME to get all they quality for is about 2 years.



Thank you.
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