



## **PROCEEDINGS OF THE GOVERNMENT OF KARNATAKA**

**Sub:** Sanction of Special Incentives Package for FMCG Cluster in Dharwad District.

**Read:** Proceedings of the Cabinet Sub Committee Meeting held on 18.04.2022

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### **PREAMBLE:**

In the Budget Speech 2020-21, development of two new clusters in addition to the ongoing clusters were announced i.e., Health and Wellness cluster in Shivamogga district and FMCG Manufacturing cluster in Dharwad district.

Also, in the Budget Speech 2022-23, it was announced that Special incentive package will be announced for the industries that will come up in FMCG Cluster at Dharwad District.

A Vision Group was constituted vide Government order No. CI 130 SPI 2018, dated 01.07.2020 for establishment of "FMCG Manufacturing Cluster" in Dharwad comprising of leading industrialists of FMCG sector. The FMCG Vision Group identified Mummigatti KIADB Industrial Area in Dharwad for establishment of FMCG Cluster.

FMCG manufacturing in Karnataka is largely limited to Agro & Food Processing, with presence of leading companies like ITC, Britannia, Nestle, Parle, Cargill, MTR Foods, Hangyo Ice Creams etc. In spite of having a dominant white-collar consumer base and the raw material availability around Bengaluru, none of the FMCG majors in non-food category - apart from Himalaya Wellness - have their facilities in Karnataka. The fact that the FMCG leaders constitute only around 10% of the market (by value) indicates huge potential to attract investments in non-food category as well, provided a policy-driven initiative is formulated.

The product segments under FMCG Cluster are mentioned below:

<b>Personal &amp; Home Care</b>	<b>Food Processing</b>	<b>Healthcare</b>
Bath & Shower Dental/Oral Care Skin Care, Hair Care Male Grooming	Processed /Instant Food Instant Spices Confectionery Bakery, Biscuits & Cones	Health Supplements OTC Pharma Products Nutraceuticals Animal Feed

Cosmetics & Feminine Products	Salty Snack	
Perfumery & Incense Sticks	Frozen Foods, Deserts	
Laundry & Cleaning Agents	Processed Cereals	
Kitchen Utilities	Fruit Concentrates	
Toiletry	Energy Drinks	
Disinfectants	Milk Processing	
<b>Upstream Value Chain</b>		
Active Ingredients & Intermediates for all the product segments		

The Commissioner for Industrial Development and Director of Industries & Commerce has prepared the Special Incentives proposal for FMCG Cluster based on the outcome of the discussions with Vision Group and the same has been submitted to the Government for approval in order to propagate among the prospective investors of the FMCG sector and attract investments for the cluster, with terms and conditions for FMCG Cluster, Dharwad.

FMCG sector is one of the largest employment generating sector in the country. The Vision Group, in its proposal, details about FMCG industry in Assam which contributes significantly to the state's employment and GDP. The proposal also draws similarities between the growth potential of Hubballi-Dharwad and Guwahati and envisages it to be developed in line with Guwahati's magnitude. The industry thus anticipates having a dedicated base in South India, which so far does not have an FMCG hub like Guwahati.

It is expected that the FMCG cluster in Dharwad would turn fortunes of the district to create an unparalleled industrial ecosystem resulting into socio-economic upliftment of the region.

The Vision Group proposal highlights the potential to create 5 lakh direct and indirect job opportunities against an investment of ₹ 7,500 crore in Dharwad district. This cluster targets investment of Rs. 3000 crore in mainstream FMCG products solely in the designated Mummigatti Industrial Area and generating direct employment to around 26,500 people during the scheme period.

The Special Incentives Package for FMCG Cluster in Dharwad District subject was placed before the Cabinet Sub-Committee meeting for sanction of special incentives to mega industries held on 18.04.2022 under the Chairmanship of Hon'ble Chief Minister for discussion and decision.

The Cabinet Sub-Committee noted that a suitable incentive structure supporting the industry's needs of robust supply chain could make Dharwad as the FMCG hub of India.

Government has considered the recommendations of the Cabinet Sub-Committee held on 18.04.2022 and hence this order.

**GOVERNMENT ORDER NO. CI 287 SPI 2020 (P1), BENGALURU, DATED 30.04.2022**

In the circumstances explained in the preamble, the Government is pleased to sanction the following special incentives package to FMCG Cluster in Dharwad District.

- i) Capital Investment Subsidy of 20% of VFA, subject to a maximum of ₹ 25 crore.
- ii) Performance linked incentive of 3% of annual turnover for 5 years; subject to a maximum of 100% of VFA.
- iii) Other incentives & concessions as per the Industrial Policy 2020-25.

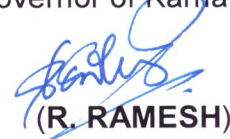
The above special incentives package are subject to the following terms and conditions for FMCG cluster in Dharwad district:

- a) This package of incentives will be in operation for 5 years from the date of issue of Government Order.
- b) The activities eligible for this incentive package are listed above.
- c) A "Technical Committee" would be constituted to certify the FMCG activities that are eligible to be set up in this cluster / District.
- d) Only new investments, including expansion are eligible for this package of incentives.
- e) Value of Fixed Assets (VFA) will include investment on Land, Factory Building, Plant & Machinery and Miscellaneous Fixed Assets (MFA), excluding the cost of effluent treatment plant (ETP).
- f) Performance Linked Incentive will be administered on annual direct sales turnover (includes sales within the state, inter-state and exports), as evidenced by GST Returns, annual audited accounts/audited balance sheets, etc.
- g) Operational incentives will be administered on a half yearly basis.
- h) No operational incentives shall be administered during a year if the unit discontinues operations for more than six consecutive months. Such gap in incentives cannot be replenished against operations during remaining half, nor can it be deferred to subsequent years.

- i) Performance Linked Incentive for an expansion will be applicable only on the incremental turnover resulting from the corresponding investment or capacity expansion, and not on the entire turnover including the existing turnover.
- j) Incentives under this package can be availed in addition to the incentives provided under any of the policies of Government of India, without duplication of any incentives. Industries availing this package of incentives cannot avail incentives under any of the other policies of Government of Karnataka.

This order is issued with the concurrence of Finance Department vide its Note No. FD 346 Exp-1/2020, dated 26.08.2021 & 20.04.2022 and Cabinet Sub Committee Meeting dated: 18.04.2022.

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



(R. RAMESH)

Director (Technical Cell),  
Commerce & Industries Department.

**To,**

The Compiler, Karnataka Gazette, Bengaluru for publication in the next issue of the Gazette and supply 25 copies to this office.

**Copy,**

1. Principal Accountant General (G&SSA), Karnataka, New Building, 'Audit Bhawan', Post Box No. 5398, Bengaluru-01.
2. Principal Accountant General (E&RSA), Karnataka, New Building, 'Audit Bhawan', Post Box No. 5398, Bengaluru-01.
3. Principal Accountant General (A&E), Karnataka, Park House Road, Post Box No. 5329, Bengaluru-01.
4. Additional Chief Secretary to Government, Finance Dept., Vidhana Soudha, Bengaluru-01.
5. Commissioner for Industrial Development and Director of Industries and Commerce, Khanija Bhavan, Race Course Road, Bengaluru-01.
6. Commissioner for Commercial Taxes, Vanijya Therige Karyalaya, Gandhi Nagar, Bengaluru-09.
7. Joint Secretary to Govt. (Cabinet Section), Vidhana Souda, Bengaluru-01.
8. Additional Director (P&P), Directorate of Industries and Commerce, Khanija Bhavan, Race Course Road, Bengaluru-01.

9. Chief Operating Officer, Invest Karnataka Forum, Race Course Road, Bengaluru.
10. PS to the Hon'ble Minister for Large and Medium Industries, Vidhana Soudha, Bengaluru-01.
11. PS to Additional Chief Secretary to Government, Commerce & Industries Department, Vikasa Soudha, Bengaluru-01.
13. Chairman, Vision Group – FMCG Cluster, Dharwad.
14. Guard File / Spare Copies.