



GOVERNMENT OF KARNATAKA

Session-5: Innovation by States

State Forum 2024, NIPFP

DRAFT PRESENTATION DOCUMENT

27 SEPTEMBER, NEW DELHI



2 key innovative themes driving Government of Karnataka's fiscal management

PPP to create good quality infrastructure with minimum govt. fund outlay

- 1 **Bengaluru International Airport (BIAL):** World-class infrastructure with 50x valuation multiplier on equity infusion
- 2 **KWIN City:** Knowledge, Wellness & Innovation City planned within 50 km of Bengaluru over 2000 acres

Innovative financial instruments to enable low-cost sources of funding for fiscal management

- 1 **Intercompany Deposits:** Lending and borrowing among state PSEs
- 2 **InvITs:** Lumpsum funds unlocked on transmission infra, with higher valuation due to pass-through tax efficient structure
- 3 **Boost to solarization:** Concessional green finance and VGF to expedite scheme

Bengaluru International Airport | More than **50x multiplier** on Government of Karnataka's initial equity infusion of INR 50 Cr

3rd Largest Airport in India

36.5 Mn passengers in 2023, projected to exceed 50 Mn by 2025 (expansion of Terminal 2)



Set up as a PPP b/w GoK, AAI & pvt. sector

FAIRFAX INDIA

SIEMENS

54%

20%



13%



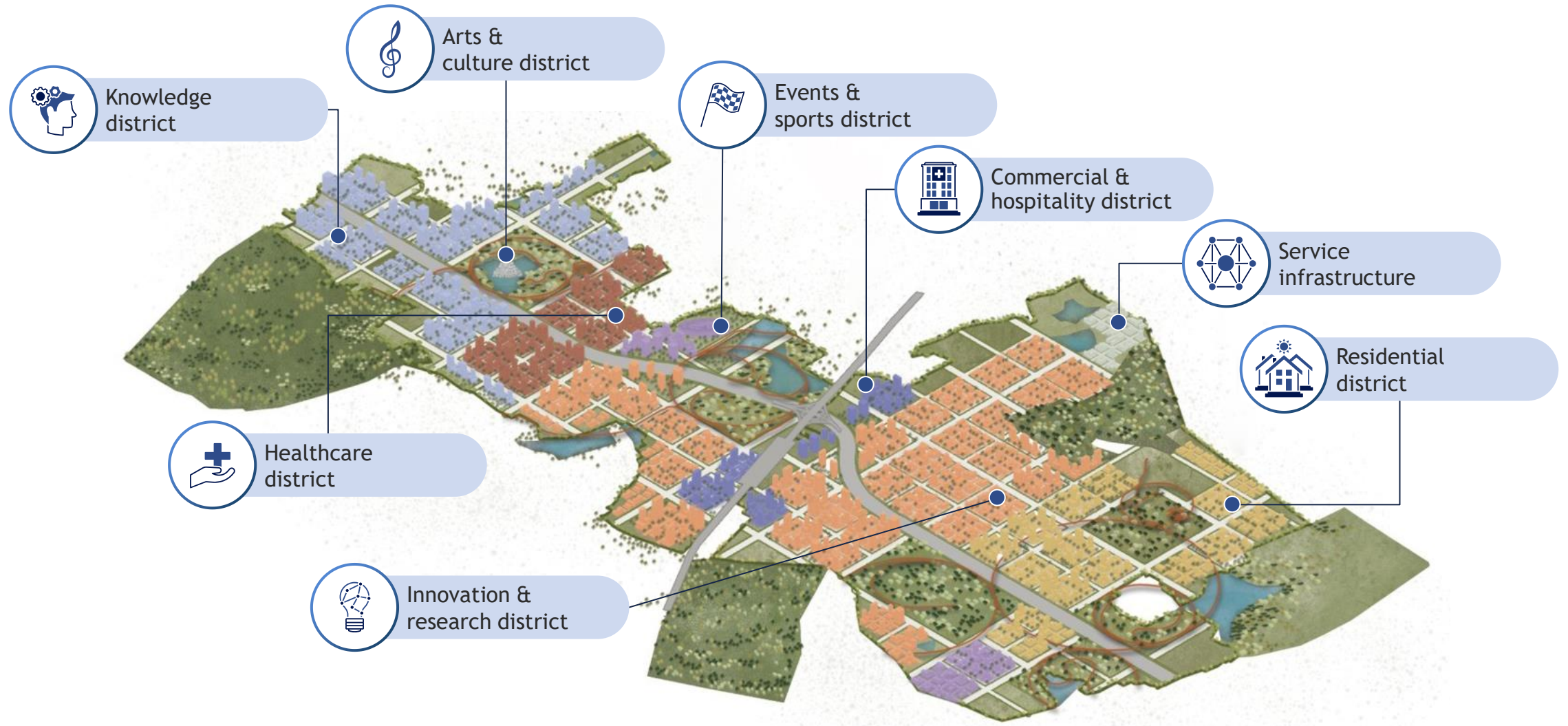
13%

- **GoK Investment: INR 50 Cr equity infused in 2006, taking a 13% stake in BIAL**
 - GoK stake now valued at INR 2,700 Cr at current valuation is \$2.5 billion
- BIAL has helped generate **38,000** direct and **2,00,000+** indirect & induced employment¹
- Additionally, multiple revenue streams for GoK from BIAL ecosystem:
 - Lease rentals of INR 184 Cr till date; Expected to earn INR 3,500 Cr in lease rental in next 44 years
 - Taxes, duties, VAT from fuel uplift
 - Land Registration revenue from North Bengaluru Land Monetization

1. Includes staff engaged at BIAL airport (Direct) + employment related to industry linkages like construction of airport (Indirect) + employment due to increased consumption induced by increased direct and indirect employment (Induced), as per NCAER

2. Equity infusion in 2006, Fairfax bought stake from GVK in 2017, Incoming and outgoing flights per day: 750 (650 domestic, 90 international)

Proposed Concept Master Plan for KWIN City - 2000 acres dedicated campus within 50 km from Bengaluru



KWIN City to actively leverage private sector expertise and capital, while ensuring government oversight

SPV between GoK and master developers



Govt. to onboard multiple master developers providing land on equity to develop the industrial clusters



Given the Govt.'s equity contribution in the SPV is in the form of land, the net price to the developers would be relatively lower



Private player participation would ensure quality Infrastructural development

Innovation Multi-Clusters to be formed



Life Sciences



Future Mobility



Industry 4.0



Space Tech.

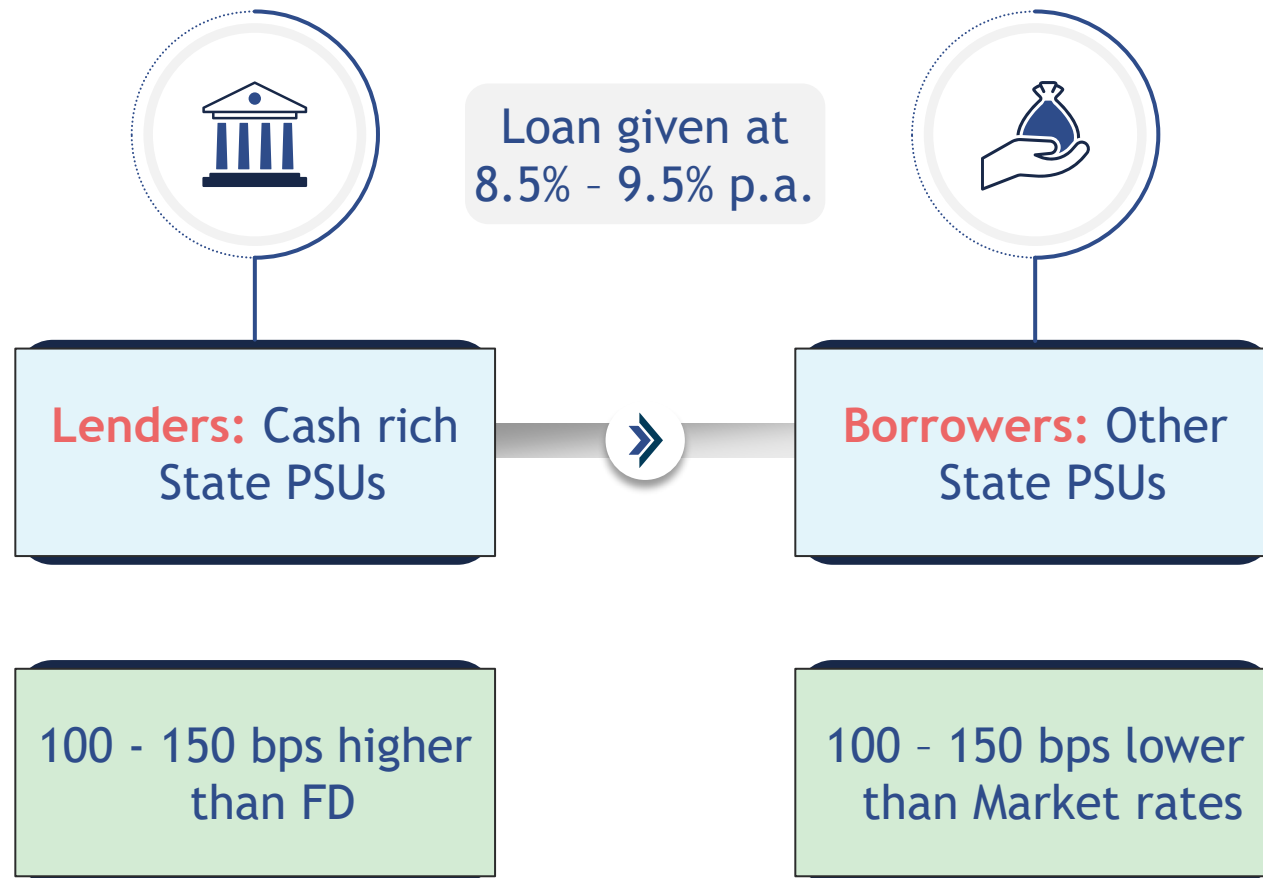


Semiconductor and Advanced Materials

Scope to generate INR 6,000-6,500 Cr¹ revenue from the project

1. Stamp duty on sale of property: INR 1800 Cr, Registration fee: INR 100 - 150 Cr, SGST Construction :INR 3k - 3.5k Cr, SGST Commercial: INR 300 Cr, SGST Residential: INR 900 Cr

Intercorporate Deposits | Enhancing collaboration within Public sector enterprises to drive self sustainability



Inter Corporate Deposits enable PSEs to lend and borrow funds among each other under the Companies Act, 2013






Companies with surplus funds to earn relatively higher interest rates vs. bank deposits



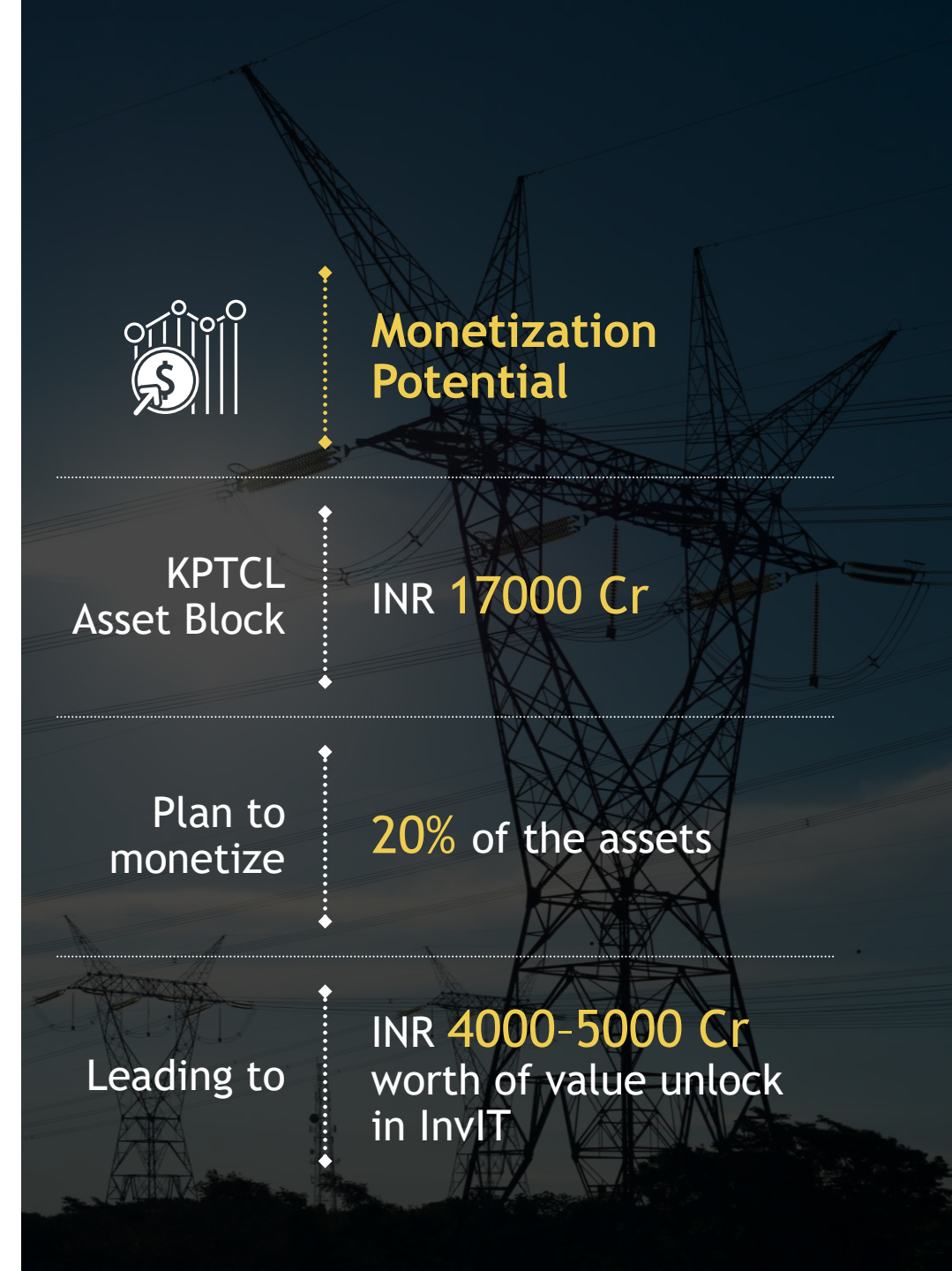
Organizations in need of such funds can borrow at rates lower than market rate options available

InvITs (Infrastructure Investment Trusts) can help unlock premium valuation due to their pass-through tax efficient structure

-  Transmission Assets Transferred to SPVs with Investment Trust holding a controlling stake
-  Upfront Capital Raised based on stable revenue streams of assets
-  Premium achieved due to lower taxes in InvIT structure and higher asset valuation¹



1. InvIT registered under Trust Act 1882



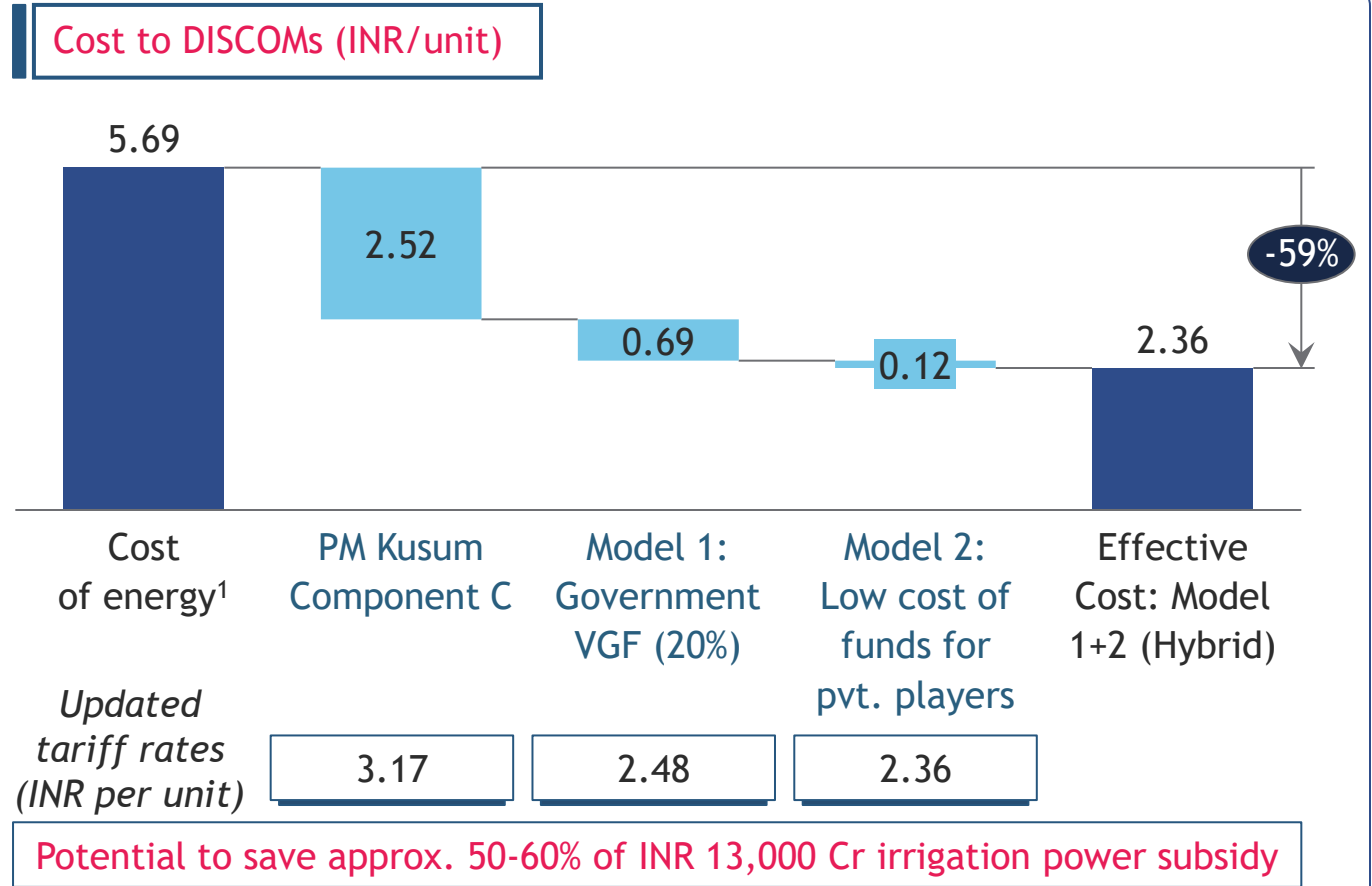
Two initiatives being pursued to enhance and expedite the PM-KUSUM C-FLS scheme in Karnataka to help reduce the irrigation power subsidy by 50-60%

2 Models to expedite PM KUSUM C

PM KUSUM C (FLS - Feeder level Solarization): Financial incentive of 30% capex (or 1.05 crore/MW whichever is lower) provided by central govt.

Target: 1300 MW (INR 5,500 - 6,000 Cr) more tenders by year-end. Two models being pursued to increase savings to state, while increasing private sector interest:

- **Model 1:** Low-cost financing for private players, reducing interest rates from 10.5% - 11% to 8.5% - 9%
- **Model 2:** 20% VGF, about INR 1,000 Cr, while recovering INR 1,500 - 1,600 Cr (in NPV) in savings over a 25-year period





GOVERNMENT OF KARNATAKA