



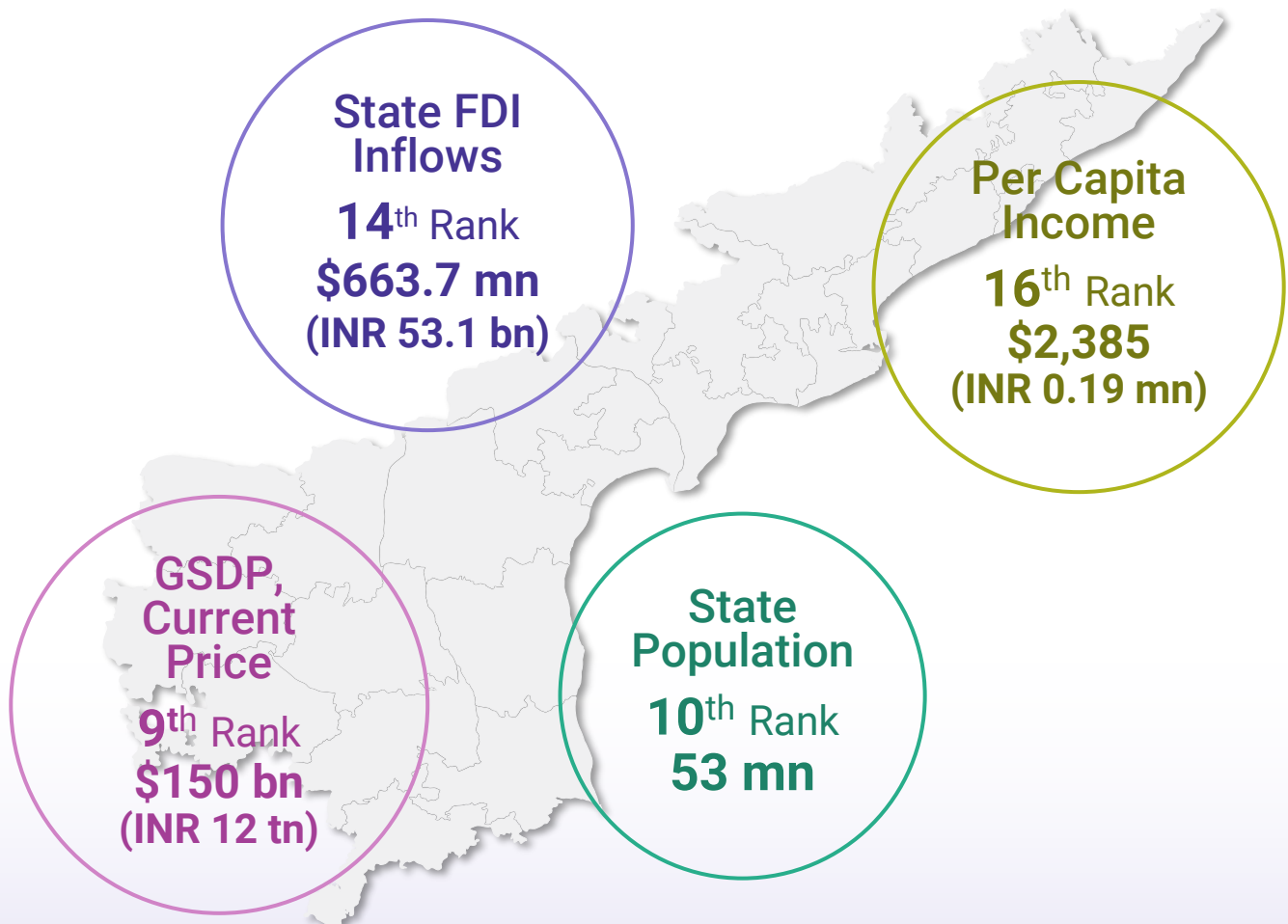
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Incentives for New Manufacturing Set Ups Andhra Pradesh

Indian State Governments offer varied incentives under their respective state industrial development corporation policies to promote the set-up of new manufacturing units in the state. Such incentives are in the form of capital subsidies, interest subsidies, subsidized electricity tariffs, and more. The purpose of such incentive schemes is to attract investment thereby enabling infrastructure development, generating employment, developing focus sectors, and largely facilitating the overall economic development of the state.

To enable the availability of a quick summary of such general incentives offered by various Indian states, Nexdigm is releasing a series of documents focusing on providing a brief overview of such incentives offered by respective State Governments in India. This document covers information about incentives offered by **Andhra Pradesh** under the '**Industrial Development Policy 2023-27**'.

Key Statistics | Andhra Pradesh



October 2019 to September 2022

2021-22

2020-21

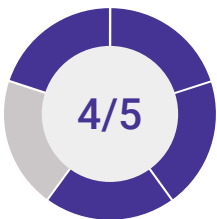
2022

Policy Overview

Andhra Pradesh aims to achieve a minimum of 30% contribution by industry in the State GDP, promote port-led industrial development, develop a world-class industrial eco-system and create employment generation opportunities. Thus, the Andhra Pradesh Government has released '**Industrial Development Policy 2023-27**', valid

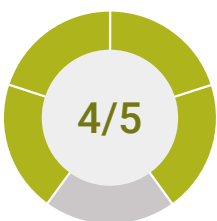
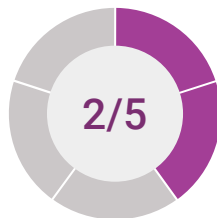
from 1 April 2023 to 31 March 2027. The policy focuses on enhancing the position of the state as a preferred destination for global investment and promoting growth of domestic enterprises thereby contributing to the state's overall economic development.

Nexdigm Ratings and Observations



Policy Structure

Incentive Range & Quantum



Investor Facilitation

Level Of Digitization



Note: The information/data used for the ratings is subjective based on our assessment of the policy, the experience of Nexdigm professionals in dealing with State Authorities, digitization of select statutory requirements, etc.

- The policy places a special emphasis on the MSME sector and offers multiple incentives with tailor-made incentives available to Mega & Ultra-Mega industries.
- The policy grants incentives to 9 select service sectors (Micro and Small) notified by the State Level Committee (covered in Appendix 1).
- Specific policy measures such as the establishment of 'Entrepreneurship Clubs' and 'Incubation Centers' on an experimental basis (to be scaled up later) are envisaged to enhance the start-up ecosystem.
- To retain leadership in the Ease of Doing Business ranking, the Andhra Pradesh Government is repositioning the 'Single Desk Portal' to facilitate time-bound clearances for investments and the 'YSR AP ONE' program for providing end-to-end service support to investors.
- The policy focuses on allotment of land by the Andhra Pradesh Industrial Infrastructure Corporation (APIIC) for industrial purposes within a period of 21 days upon receipt of applications.
- The Andhra Pradesh Government has also introduced a 'Fast-track Clearance System' for Large, Mega, and Ultra-Mega projects wherein all clearances shall be provided within 21 days from the date of application.

Policy Highlights

Industry Classification

Manufacturing enterprises, for the purpose of the scheme, are classified under different categories based on the quantum of investment which has been briefly tabulated below:

Industry	Investment in Eligible Fixed Assets (EFA)
Micro	Investment in Plant & Machinery or Equipment up to INR 10 mn and turnover up to INR 50 mn
Small	Investment in Plant & Machinery or Equipment up to INR 100 mn and turnover up to INR 500 mn
Medium	Investment in Plant & Machinery or Equipment up to INR 500 mn and turnover up to INR 2.5 bn
Large	Investment in Plant & Machinery between INR 500 mn and INR 10 bn with an eligible investment period of 3 years
Mega	Investment in Plant & Machinery between INR 10 bn and INR 30 bn with employment above 1,000 persons along with an eligible investment period of 4 years
Ultra-Mega	Investment in Plant & Machinery greater than INR 30 bn with employment above 3,000 persons along with an eligible investment period of 5 years

Region Classification

Regions in Andhra Pradesh, for the purpose of the scheme, are classified under different categories based on the development stage of such regions. This promotes investments with relatively higher incentives in developing or underdeveloped regions for the balanced growth of Andhra Pradesh. The classification is tabulated briefly below:

Category	Status Of Industrial Development	Districts Covered
I	Less Industrialized	Anantapuramu, Annamayya, Bapatla, Dr. B.R. Ambedkar Konsasema, Kurnool, Krishna, Nandyal, Parvatipuram Manyam, Srikakulam, Y.S.R. Kadapa, Alluri Sitharama Raju Paderu
II	Moderately Industrialized	Chittoor, East Godavari, West Godavari, Eluru, Guntur, Kakinada, N.T.R. Palnadu, Prakasam, SPSR Nellore, Sri. Sathya Sai, Vizianagaram
III	Highly Industrialized	Anakapalli, Tirupati, Visakhapatnam

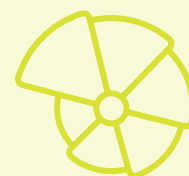
Thrust Sectors

Every state encourages select sectors based on its competitive strength and advantage such as geographical location, available resources, raw material availability, existing manufacturing practices, and growth potential.

Such sectors are known as thrust sectors and are accorded additional benefits in the incentive scheme.

Sectors identified under this policy are mentioned below:

- Chemicals & Petrochemicals
- Pharmaceuticals & Bulk Drugs
- Textiles & Apparels
- Agro & Food Processing
- Renewable Energy Components Manufacturing
- Automobiles & Auto Components
- Electronics & IT
- Medical Devices
- Defence & Aerospace
- Machinery & Equipment
- Engineering
- Futuristic Segments of Industry including Industry 4.0 Manufacturing, Biotechnology, Green Hydrogen, & Electric Vehicles



Major Incentives

Several incentives are provided to industries based on their investment thresholds in Andhra Pradesh. The below table covers a range of incentives provided to enterprises basis the classification of industries:

Particulars	MSME	Large	Mega & Ultra-Mega
Investment Subsidy + SGST Reimbursement	<p>Micro and Small 15% of FCI* limited to INR 2 mn and 100% net SGST reimbursement for 5 years</p> <p>Medium 15% of FCI limited to INR 25 mn in 5 equal annual instalments or 50% net SGST reimbursement for 5 years</p>	100% net SGST reimbursement for 5 years up to 50-100% of FCI (excluding land cost) subject to regional classification (Category I, II, or III)	Tailor-made Incentives
Interest Subsidy	<p>Micro and Small 3% p.a. limited to INR 2.5 mn for 5 years</p>	-	
Stamp Duty Reimbursement	<p>Micro and Small 100% for 5 years</p>	-	
Electricity Duty Subsidy	<p>Micro and Small INR 1 per unit for 5 years</p>	-	

*FCI: Fixed Cost of Investment (excluding land)

The total incentives for any company will be restricted to 100% of FCI (excluding land cost) and limited to 20% in each of the 5 years

Additional Key Incentives

Some other incentives provided under the scheme are briefly listed below:

MSMEs

Up to 75% reimbursement of IP acquisition cost, 50% reimbursement of technology upgradation & acquisition cost, 100% reimbursement of quality certification cost, and 100% reimbursement of land conversion charges.

Service Sectors

(as covered under Appendix 1)

Service sectors falling under Micro & Small industries will also be eligible for a capital subsidy of 15% of FCI limited to INR 2 million.

Anchor Units

These units will be provided with requisite land for the project at 25% of the land price in case of APIIC (Andhra Pradesh Industrial Infrastructure Corporation) land. An Anchor Unit is defined as the first and leading investor in the designated industrial park whose brand value and potential for backward/forward linkages shall stimulate further investment in that industrial park/industrial area. The Anchor Unit shall bring a minimum investment of INR 5,000 million or employ more than 1,000 persons while promoting at least 5 downstream/upstream industries.

Special Early Bird Projects

50% reimbursement of the total infrastructure cost, limited to INR 10 million, 100% reimbursement on stamp duty and land conversion charges shall be provided to Special Early Bird Projects (excluding MSME) who would establish their base in the state by September 2023.

Private MSME Parks/Platted Factory Complexes

Special incentives shall be provided to Private MSME Parks/Platted Factory Complex which include reimbursement of total infrastructure cost, interest subsidy, stamp duty, and land conversion charges.

R&D, Global Capacity Centers, and Testing Labs

Up to 50% reimbursement of the investment for the R&D center, Global Capability Centers, and Testing Labs.

Logistics and Warehousing

100% Stamp duty reimbursement on land registration and up to 75% reimbursement on patent registration for Logistics & warehousing sectors .

SC/ST Entrepreneurs

Additional incentives shall be provided to SC/ST entrepreneurs under 'YSR Jagananna Badugu Vikasam' .

Other Key Policies

Andhra Pradesh Logistic Policy 2022-2027

The policy envisages connecting and integrating different modes of transportation for seamless and efficient connectivity to save time and money through business-friendly processes and services. The financial incentives offered include 100% stamp duty reimbursement and 75% reimbursement on patent registration.

Andhra Pradesh Tourism Policy 2020-2025

The policy aims to sustainably develop tourism through the development of luxury resorts and by providing world-class tourism 'products and experiences'. Reimbursement of 100% stamp duty, 100% SGST, and electricity charges are some of the key incentives of this policy.

Andhra Pradesh Electronics Policy 2021-24

The policy aims to transform the Andhra Pradesh into a preferred investment destination for the electronics sector while focusing on backward integration of the manufacturing value chain, moving beyond assembly operations. The fiscal incentives include 100% stamp duty reimbursement, 100% SGST reimbursement along with a logistics subsidy of 25% reimbursement for domestic transportation costs.

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Appendix 1

Service Sector (Micro and Small) list eligible for incentives under the policy:

- Industrial/material testing laboratories/technical testing and analysis/hallmarking centers
- Iron scrap/plastic/paper/hay, etc. baling presses
- Auto servicing/repairing units, engineering machining workshops, common effluent treatment plants
- Packaging activities
- General engineering and fabrication works
- Refilling of medical oxygen containers
- Transportation and logistics management services including cold chain logistics services
- Industry related environmental services including hazardous and other waste disposal/management systems
- Industrial staff/workers' accommodation facilities

Sources:

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About Nexdigm

Nexdigm is an employee-owned, privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise enables us to provide customized solutions for our clients.

We provide integrated, digitally driven solutions encompassing Business and Professional Services, that help companies navigate challenges across all stages of their life-cycle. Through our direct operations in the USA, Poland, UAE, and India, we serve a diverse range of clients, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries.

Our multidisciplinary teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

From inception, our founders have propagated a culture that values professional standards and personalized service. An emphasis on collaboration and ethical conduct drives us to serve our clients with integrity while delivering high quality, innovative results. We act as partners to our clients, and take a proactive stance in understanding their needs and constraints, to provide integrated solutions. Quality at Nexdigm is of utmost importance, and we are ISO/ISE 27001 certified for information security and ISO 9001 certified for quality management.

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Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to **Think Next**.

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