



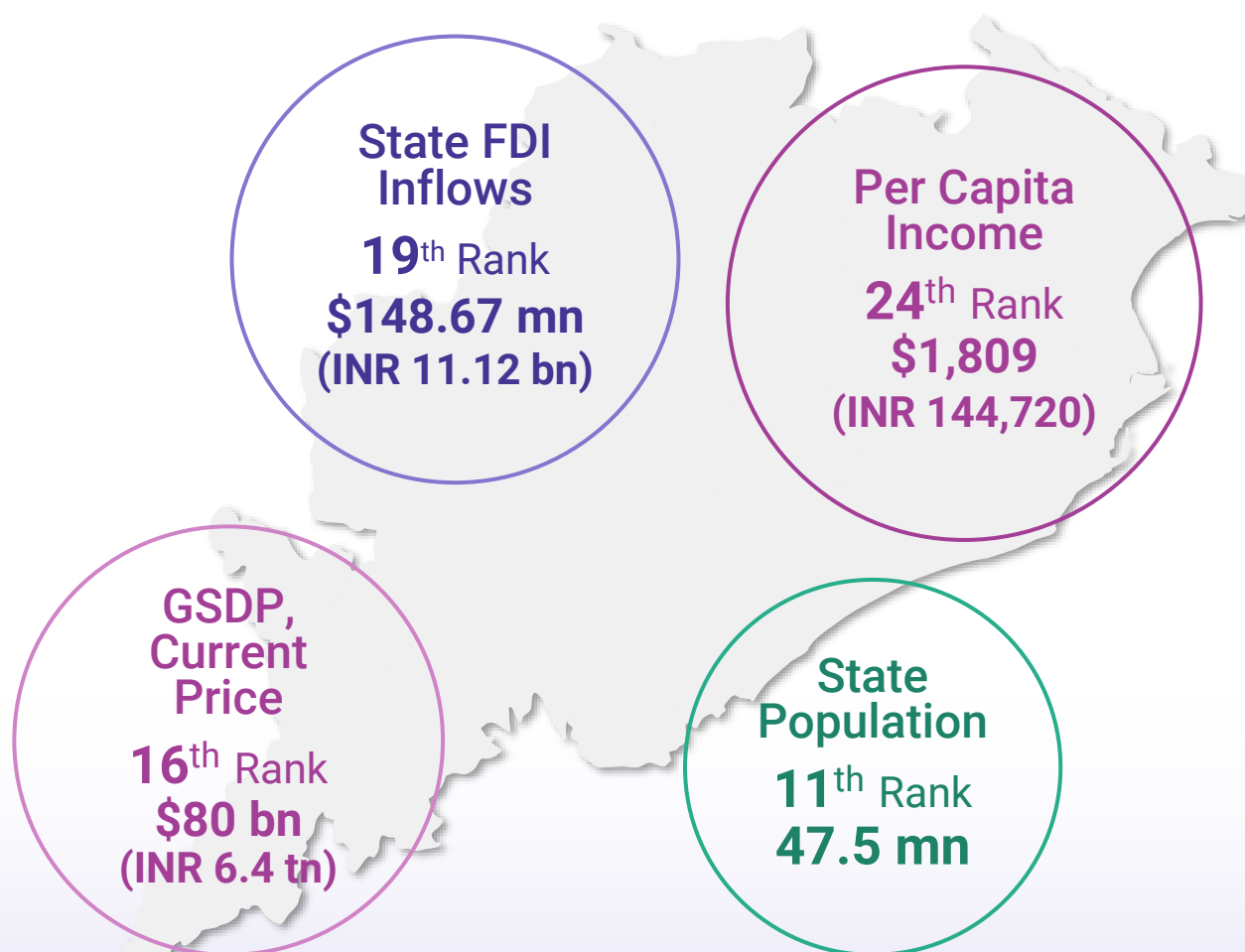
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Incentives for New Manufacturing Set Ups **Odisha**

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 **Odisha** under the '**Industrial Policy Resolution 2022**'.

Key Statistics | ODISHA



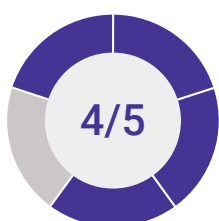
October 2019 to September 2022
2021-22
2022

Policy Overview

The Odisha State Government released '**Industrial Policy Resolution 2022**', on November 2022 and this policy shall remain in force for a period of five years, unless substituted by another policy.

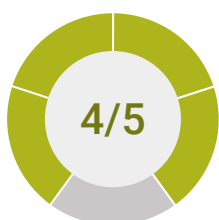
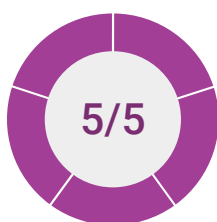
The policy has outlined a vision to position Odisha as a preferred investment destination by leveraging its natural and human resources as well as harnessing the power of modern technology, thus ensuring sustainable industrial growth and generation of large-scale employment opportunities.

Nexdigm Ratings and Observations



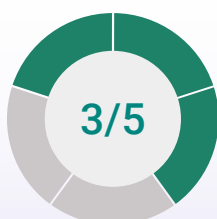
Policy Structure

Incentive Range & Quantum



Investor Facilitation

Level Of Digitization



- The policy targets the achievement of its objectives through four key pillars:
 - Investment promotion
 - Investment facilitation
 - Industrial infrastructure destination
 - Incentive framework
- The policy envisions to promote investments in priority sectors (Appendix 1) and thrust sectors
- Unlike other State incentive schemes, Odisha, through this policy, provides incentives to all eligible industries in priority and thrust sectors, regardless of their region of set-up (except for land rate concession subsidy) and the investment quantum
- Capital investment subsidy is one of the major incentives in the policy wherein 20-30% of the eligible plant and machinery cost will be reimbursed equally over a period of five years
- The policy has also outlined 25 industries under a 'negative sector' (Appendix 2) which shall neither be eligible for financial incentives, nor for allotment of land at concessional rates

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.

Policy Highlights

Industry Classification

Enterprises, for the purpose of the scheme, are classified under different categories, which has been briefly tabulated below:

Industry	Classification of Industries
Priority Sectors	Desirable sectors likely to generate significant employment opportunities and create avenues for further value addition in the state (Eligible for incentives, concessional industrial land rates, and investment facilitation)
Thrust Sectors	Desirable sectors dealing with new age technologies, products and services, and sectors likely to have maximum multiplier effect on the state's industrial ecosystem (Eligible for incentives, concessional industrial land rates, and investment facilitation)
Negative Sectors	Sectors not provided with financial incentives but supported with investment facilitation (Eligible for investment facilitation, not eligible for incentives and concessional industrial land rates)
Other Sectors	Sectors other than the three above, provided with investment facilitation and land at concessional industrial rates (Eligible for concessional industrial land rates and investment facilitation, not eligible for incentives)

Region Classification

Regions in Odisha, for the purpose of the scheme, are classified under different categories based on the development stage of such regions. The classification is tabulated briefly below:

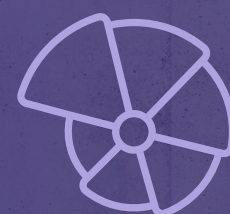
Category	Status Of Industrial Development
Zone-A	Urban areas under the jurisdiction of Bhubaneswar Municipal Corporation (BMC)
Zone-B	Urban areas under the jurisdiction of Development Authorities of Cuttack, Rourkela, Berhampur, Sambalpur, Paradeep, Puri, Angul, and Jharsuguda
Zone-C	Revenue sub-divisions of Bhubaneswar (except BMC area), Khurda, Angul, Cuttack, Jharsuguda, Panposh, Puri, and Sambalpur
Zone-D	Revenue sub-divisions of Athagarh, Balasore, Berhampur, Chhatrapur, Champua, Dhenkanal, Jagatsinghpur, Jajpur, Keonjhar, and Talcher
Zone-E	Revenue sub-divisions of Banki, Baripada, Bhadrak, Baragarh, Bolangir, Jeypore, Koraput, Rayagada, and Sundargarh
Zone-F	Revenue sub-divisions –Anandpur, Athamalik, Baliguda, Bamanghati, Bhanjanagar, Bhawanipatna, Birmaharajpur, Bonai, Boudh, Deogarh, Gunupur Dharmagarh, Hindol, Kamakshyanagar, Kaptipada, Kandhamala, Kendrapada, Kuchinda, Malkangiri, Nabrangpur, Nayagarh, Nilagiri, Nuapada, Padampur, Pallahara, Panchpir, Paralakhemundi, Patnagarh, Rairakhol, Sonapur, and Titlagarh

Thrust Sectors

Every state encourages select sectors based on their 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.

12 thrust sectors have been identified under this policy:

- Aerospace & Defence
- Automobiles & Auto-components
- Biotechnology, Pharmaceuticals, Bulk Drugs, & Medical Equipment
- Electronics System Design & Manufacturing (ESDM)
- Chemicals & Petrochemicals
- Green Energy Equipment
- Green Hydrogen & Green Ammonia
- Manufacturing in Aviation and Maintenance, Repair & Overhaul (MRO) facilities
- Mechanical & Electrical Capital Goods
- White Goods & Components
- Textiles, Technical Textiles, Apparel, Wearables, & Luggage
- Telecommunication Equipment
- Special Category of Industries considered equivalent to thrust sectors



Major Incentives

The State Government is committed to providing facilitation support to all industries while providing competitive and best-in-class financial incentives to 'priority' and 'thrust sectors'. The below table covers a range of incentives provided to these sectors:

Particulars	Priority Sector	Thrust Sector
Capital Investment Subsidy*	20% capital investment subsidy on actual investment in plant & machinery disbursed equally over a period of 5 years	30% capital investment subsidy on actual investment in plant & machinery disbursed equally over a period of 5 years
Electricity Tariff Exemption	INR 2 per unit consumed for a period of 7 years	INR 2 per unit consumed for a period of 10 years (INR 3 per unit for 20 years for Green Hydrogen and Green Ammonia manufacturing units)
Electricity Duty Exemption	100% exemption for a period of 7 years	100% exemption for a period of 10 years (20 years for Green Hydrogen and Green Ammonia manufacturing units)
State Goods & Services Tax Reimbursement**	100% reimbursement of net SGST paid overall, limited to 200% of the cost of plant & machinery	
Land Rate Concession Subsidy***	Concessional land rates based on the region of set-up along with 100% stamp duty exemption	Concessional land rates based on the region of set-up along with 100% stamp duty exemption (New units creating direct employment for not less than 1000 state-domiciled people shall be eligible for land at 50% of the above concessional industrial rate)

*Capital investment subsidy is applicable to investments made up to the first three years for MSMEs (defined as per the MSME Act, 2006) and the first five years for other units from the date of first fixed capital investment in plant & machinery. Furthermore, the date of commercial production shall not be later than three years and five years for MSMEs and other units respectively from the date of the first fixed capital investment.

**The overall limit of 200% of cost of plant & machinery is applicable to investments made up to the first three years for MSMEs (defined as per the MSME Act, 2006) and the first five years for other units from the date of the first fixed capital investment.

***The concessional industrial land rate will be notified by the Industrial Infrastructure Development Corporation (IDCO) of Odisha.

Important Notes

- Investments in 'other sectors' are also eligible for land rate concession subsidy as tabulated above
- Units setting up renewable energy captive generating plants are eligible for additional incentives in the form of capital subsidies (up to 30%) and 100% electricity duty exemption for 20 years

- Additional incentive packages, beyond those outlined in this policy document, may be evaluated for new industrial projects in specific sectors or locations on an individual basis. A high-level committee, chaired by the Chief Secretary, will be established to assess such cases, considering the advantages they bring to the state. The Cabinet will review and make decisions on proposals endorsed by this high-level committee



Additional Key Incentives

Renewable Energy

100% exemption on cross-subsidy surcharge and state transmission charges levied on renewable energy procured from state-based renewable energy plants or the Grid Corporation of Odisha for a period of seven to ten years

Employment Subsidy

100% reimbursement of the employer contribution towards Employee State Insurance (ESI) and Employee Provident Fund (EPF) scheme for a period of five to seven years

Environment-friendly Infrastructure Incentives

25-50% subsidy (limited to INR 100 million) on environment-friendly practices such as investment in 'green buildings', wastewater treatment facilities, Effluent Treatment Plant (ETP), etc.

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Sources:

<https://www.investindia.gov.in/state/odisha>
<https://dpiit.gov.in/publications/fdi-statistics>
<https://www.rbi.org.in>
<https://www.idco.in>

Other Key Policies

Odisha Electric Vehicle Policy, 2021

The primary aim of the policy is to accelerate the pace of adoption of electric vehicles in the vehicle segments, especially in the category of two wheelers, three wheelers, and Light Motor Vehicles (LMVs). The policy offers benefits such as 15% subsidy on vehicle cost, reimbursement of 100% net SGST to the manufacturing units, etc.

Odisha Renewable Energy Policy, 2022

The policy aims at accelerating the adoption of clean energy alternatives and decarbonizing the energy sector, which includes both grid-based electricity consumption and captive consumption of industrial consumers in the state. Eligible industries are offered multiple incentives such as electricity duty exemption (INR 0.5 per unit), 50% exemption on cross-subsidy surcharge, 25% exemption on wheeling charges, up to 100% stamp duty exemption on the purchase/lease of land, etc.

Odisha Food Processing Policy, 2022:

The policy aims at increasing the flow of private sector investments across the value chain from farm gate to market. The policy provides fiscal and non-fiscal incentives, infrastructure development, skill development, and a cluster approach for the development of the sector. The policy offers benefits such as 35% capital investment subsidy, up to 35% credit-linked back-ended subsidy, etc.

Odisha Apparel and Technical Textiles Policy, 2022

The policy focuses on the manufacturing, trading, and development of the apparels and technical textile sector in Odisha with the goal of empowering women and attracting skilled, semi-skilled, and unskilled workers to the sector. Incentives are in the form of 40% capital subsidies for the investment made in plant & machinery, employment cost subsidy, market development initiatives, etc.

Appendix 1

List of industries classified as 'Priority' sectors:

- Ancillary & downstream in metal sector
- Agro processing
- Cold storage and cold-chain infrastructure
- Food and seafood processing
- Gemstone & granite - cutting & polishing
- Handicraft, handloom, coir-based products
- Information Technology (IT), IT-enabled Services (ITeS) and data centers
- Plastics
- Rare-earth minerals-based value added products
- Specialty steel and its products
- Ship building, ship repair, and construction of other mechanized floating vessels
- Tourism and hospitality
- Special category of industries considered equivalent to the 'priority' sector

Appendix 2

List of industries classified as 'Negative' sectors:

- Rice mills with investment of less than INR 100 million in plant & machinery
- Flour mills, pulse mills, and Besan mills with investment of less than INR 10 million in plant & machinery
- Processing of spices with investment of less than INR 10 million in plant & machinery
- Confectionary with investment of less than INR 10 million in plant & machinery
- Vegetable oil mills with investment of less than INR 50 million in plant & machinery
- Bakeries and units involved in the preparation of sweets and savories with investment of less than INR 5 million in plant & machinery

- Manufacturing and processing of betel nuts
- Hatcheries, piggeries, rabbit, or broiler farming
- Standalone sponge iron plants
- Firecracker-making units
- Tyre retreading units
- Stone crushing units
- Coal, coke screening, coal washing, coal & coke briquetting
- Painting and spray-painting units
- Units for physical mixing of fertilizers
- Brick-making units (except units making refractory bricks and those making bricks from fly ash, red mud, and similar industrial waste not less than 25% as base raw material)
- Saw-mills, sawing of timber
- Carpentry, joinery, and wooden furniture making with investment of less than INR 10 million in plant & machinery
- Drilling rigs, bore wells, and tube wells
- Units for cutting raw tobacco and sprinkling jaggery for chewing purposes and Gudakhu manufacturing units
- Bookbinding, rubber stamp making, making notebooks, exercise notebooks, and envelopes with investment of less than INR 5 million in plant & machinery
- Packaged drinking water with investment of less than INR 10 million in plant & machinery
- Any activity regarding IMFL or liquor of any kind
- Manufacturing of asbestos-based products
- Single-use plastics

About Nexdigm

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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.

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We have been recognized over the years by global organizations, like the International Accounting Bulletin and Euro Money Publications.

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

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