

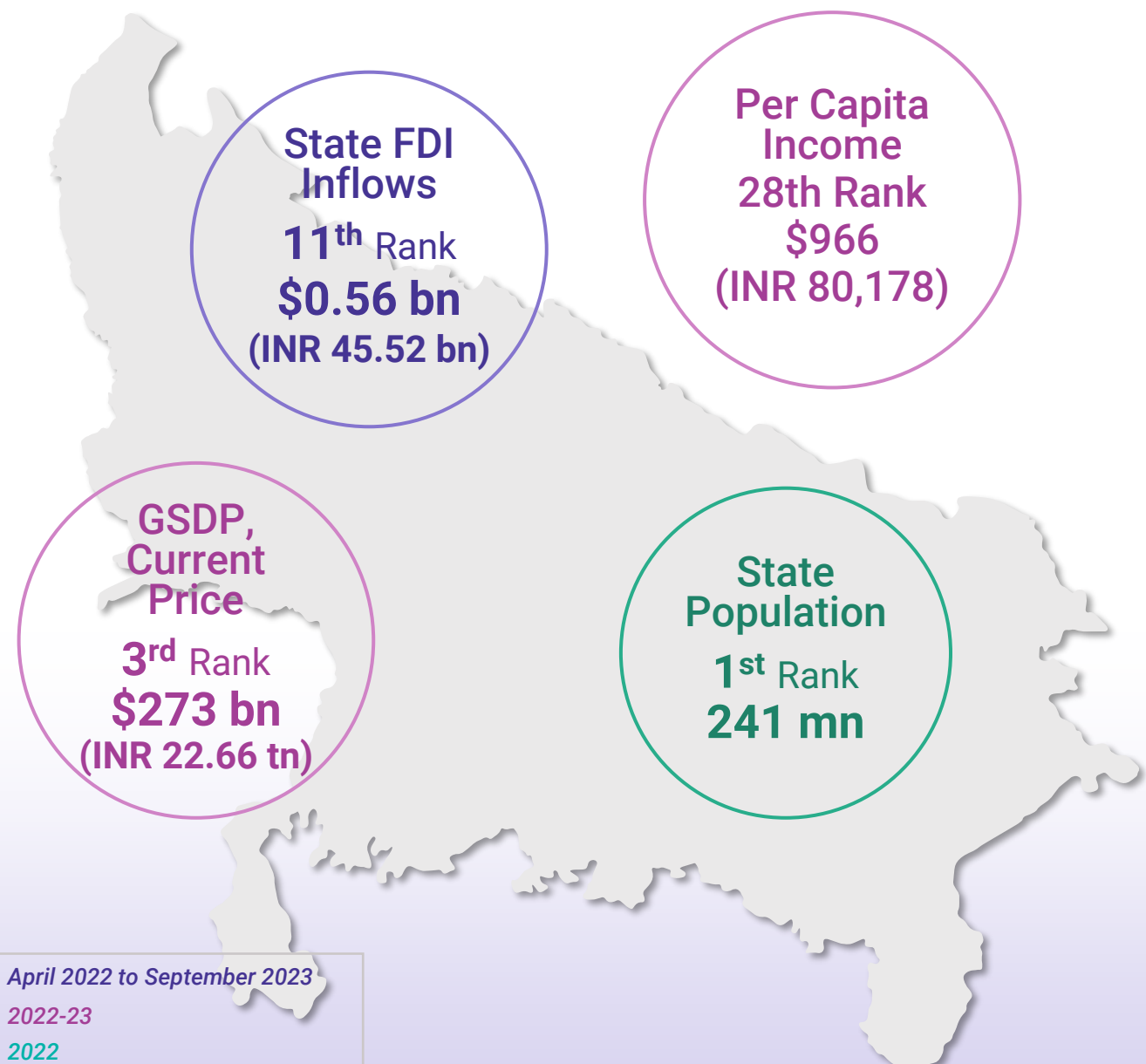
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Incentives for New Manufacturing Set Ups Uttar Pradesh

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 Uttar Pradesh under the '**Uttar Pradesh Industrial Investment & Employment Promotion Policy 2022**'.

Key Statistics | Uttar Pradesh

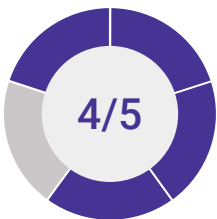


Policy Overview

Uttar Pradesh is the fourth largest state in India by land area and contributes a substantial share to the nation's economy, approximately 8% of the total GDP. Recognized as an 'Achiever' in the 2020 Business Reforms Action Plan (BRAP) ranking, the state is striving to position itself as a competitive destination on both national and international fronts.

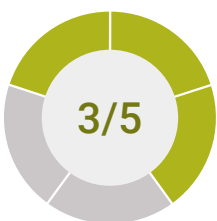
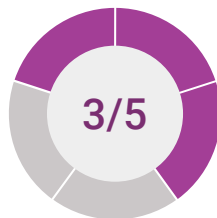
The primary objectives include job creation and fostering sustainable, inclusive, and balanced economic growth. In line with these aspirations, the State Government has introduced the 'Uttar Pradesh Industrial Investment & Employment Promotion Policy 2022,' effective for a period of five years.

Nexdigm Ratings and Observations



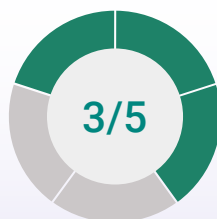
Policy Structure

Incentive Range & Quantum



Investor Facilitation

Level Of Digitization



- The Investment Promotion Subsidy is one of the major incentives in the policy wherein three possible options are outlined for availing the subsidy. Companies have the choice of selecting any one from three types of subsidies:
 - Capital Subsidy with Boosters
 - Net SGST Reimbursement
 - PLI Top-up Subsidy
- This policy covers incentives applicable for Large, Mega, Super Mega and Ultra Mega projects. The State Government has separately released the 'Uttar Pradesh Micro, Small and Medium Enterprises Promotion Policy 2022' detailing the incentives for Medium, Small, and Micro Enterprises (MSMEs). The same is summarized in a separate table under the section 'Incentives for MSMEs under the Uttar Pradesh Micro, Small and Medium Enterprises Promotion Policy 2022'.

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

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

Industry	Capital Investment
Large	Above 500 mn but below INR 2,000 mn
Mega	INR 2,000 mn or above but below INR 5,000 mn
Super Mega	INR 5,000 mn or above but below INR 30,000 mn
Ultra-Mega	INR 30,000 mn or above

Region Classification

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

Regions Covered	Incentive Range
Bundelkhand & Poorvanchal	High
Madhyanchal & Paschimanchal (except Gautam Buddha Nagar & Ghaziabad)	Moderate
Gautam Buddha Nagar & Ghaziabad	Low

Policy Highlights

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. The policy recognizes twenty-two (22) focus sectors and six (6) sunrise and potential sectors as the primary drivers of economic growth and development. These thrust sectors take into account evolving market dynamics, advancements in innovative technologies, and various other influencing factors thereby shaping future growth in the state.

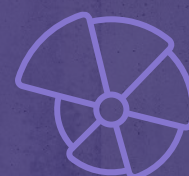
Focus Sectors

- Agro & Food Processing
- Handloom & Textiles
- Tourism
- MSMEs
- Electronics Manufacturing
- Data Centers
- Defense & Aerospace
- Warehousing & Logistics
- Dairy & Poultry
- IT/ITeS
- Start-ups
- Electric Vehicles
- Film
- Renewable Energy (Solar)
- Pharmaceuticals
- Civil Aviation
- Biofuel
- Semiconductors

- Animation, Visual effects, & Gaming
- Private Sector Hospitals
- Private Universities/Colleges including Medical & Paramedical Colleges
- Mega Multisector Focused Skill Parks/Hubs

Sunrise & Potential Sectors

- Green Hydrogen Production
- Capital Goods including Heavy Electrical and Power Equipment, Earthmoving and Mining Machinery, and Process Plant Equipment
- Chemicals including Bulk Chemicals, Specialty Chemicals, Agrochemicals, Polymers, Petrochemicals, and Fertilizers
- Aircraft and Allied Components Manufacturing
- Automobile and Automotive
- Infrastructure Projects including Development of Airports, Pumped Storage Plants, and others not covered under any sectoral policy in Uttar Pradesh



Major Incentives

Several incentives are provided to manufacturing industries in Uttar Pradesh based on their investment thresholds and employment generation. The below table covers a range of incentives provided to these enterprises:

Incentives	Large	Mega	Super Mega	Ultra Mega
Stamp Duty Exemption	50-100% exemption			
Investment Promotion Subsidy	The company can choose one of the following options:			
(A) Capital Subsidy with Boosters OR	10-15% of ECI* over a period of 10 years with an annual ceiling of INR 50 mn	18-22% of ECI over a period of 12 years with an annual ceiling of INR 100 mn (INR 150 mn with boosters)	20-25% of ECI over a period of 15 years with an annual ceiling of INR 500 mn (INR 750 mn with boosters)	22-30% of ECI over a period of 20 years with an annual ceiling of INR 1,500 mn (INR 2,100 mn with boosters)
(B) Net SGST Reimbursement OR	100% of the net SGST reimbursement for a period of 6 years with an annual ceiling of 16-20% of ECI and an overall ceiling of 80-100% of ECI	100% of the net SGST reimbursement for a period of 12 years with an annual ceiling of 7-25% of ECI and an overall ceiling of 80-300% of ECI	100% of the net SGST reimbursement for a period of 14 years with an annual ceiling of 6-21% of ECI and an overall ceiling of 80-300% of ECI	100% of the net SGST reimbursement for a period of 16 years with an annual ceiling of 5-19% of ECI and an overall ceiling of 80-300% of ECI
(C) PLI Top-up	30% of the Production Linked Incentives (PLI) of the disbursed amount, sanctioned by the Government of India (GOI), capped at 100% of ECI			

*Eligible Capital Investment (ECI) includes investment in land, building, new plant and machinery, 40% of old imported plant and machinery costs, infrastructure facilities, and other construction costs.

Note: A maximum of 30% of the Total Capital Investment (which includes all the costs mentioned above) will be considered as the total land and building component for arriving at the Total Capital Investment.

Important Notes

- **Capital Subsidy with Boosters:** The boosters are based on multiple parameters such as gross capacity utilization, average employment, exports, and intra-state procurement of raw materials.
- The government can consider offering tailored packages for incentives on a case-to-case basis, as deemed necessary for projects of special importance, subject to approval by the State Cabinet.



Additional Key Incentives

- Reimbursement of 50% of the expenditure incurred for registration of patent, copyright, trademarks, and geographical indicators, limited to INR 10 mn.
- 50% of the project cost, limited to INR 100 mn for setting up Centers of Excellence (CoEs). This is only applicable to the initial ten companies that have not claimed any benefits under any of the policies.

Incentives for MSMEs under the Uttar Pradesh Micro, Small and Medium Enterprises Promotion Policy 2022

- A separate policy has been launched by the State Government covering incentives to MSMEs
- The eligibility criteria to avail this incentive is a minimum investment in plant & machinery up to INR 500 mn and turnover up to INR 2,500 mn
- Below are the high-level major incentives available to MSMEs as per this policy:

Capital Subsidy	Capital subsidy of 15-25%, limited to INR 40 mn
Interest Subsidy	50% interest subsidy for five years, subject to a ceiling of INR 2.5 mn (applicable only for micro units)
Stamp Duty Exemption	50-100% exemption

Additional incentives are also available for promoting quality improvement (financial assistance up to 75%), and promoting environment improvement measures (financial assistance up to 50%).

Other Key Policies

UP Pharmaceutical and Medical Device Policy 2023

The policy focuses on promoting pharmaceutical and medical devices parks, creating a laboratory ecosystem, emphasizing research and development, and fostering innovation and start-ups. The policy aims to reduce dependence on foreign sources for medical devices, equipment, and raw materials required for producing drugs. The major incentives include 50-100% stamp duty exemption on land purchase and a capital subsidy up to 15% for developing common infrastructure in private pharmaceuticals, capped at INR 250 mn.

Uttar Pradesh Food Processing Industry Policy 2023

The objective of the policy is to bolster the state's food processing sector by offering various concessions and incentives across different business categories. The key incentives include capital investment subsidy of up to 35%, capped at INR 50 mn, 100% waiver of stamp duty and 'mandi' fees, and a 25% freight subsidy on exports.

Uttar Pradesh Electric Vehicle (EV) Manufacturing Policy 2022

The policy aims to position Uttar Pradesh as a global center for the development and manufacturing of electric mobility, fostering the shift towards an environmentally sustainable transportation system. The incentives target three main segments:

- Charging facility creation (up to 20% capital subsidy, limited to INR 1 mn per charging station)
- Manufacturing (10-30% capital subsidy for establishing EV manufacturing projects)
- Adoption of EVs (10-15% of the ex-factory cost for vehicle purchases)

Uttar Pradesh Electronics Manufacturing Policy 2020

The policy seeks to position Uttar Pradesh as a top choice for the electronics industry, fostering the growth of Electronics System Design and Manufacturing (ESDM) parks for both domestic and foreign investors. The key incentives comprise a 5% interest subsidy for five years, capped at INR 10 million per annum, 100% stamp duty exemption, 50% electricity exemption, etc.

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Sources:

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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.

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.

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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