GOVERNMENT OF ANDHRAPRADESH

ABSTRACT

ITE&C Department – Promotion Wing – Andhra Pradesh Electronics Manufacturing Policy (4.0) 2024-29 – Orders –Issued.

INFORMATION TECHNOLOGY, ELECTRONICS & COMMUNICATIONS (PROMOTION WING) DEPARTMENT

G.O.Ms.No.5 **Date: 30.10.2024**

Read the following

1. G.O. Ms. No. 5, IT, E&C (Promotions) Department, dated: 17.05.2021
2. G.O. Ms. No. 3, IT, E&C (Promotions) Department, dated: 15.03.2024
3. e-File no. ITC01-ELEC0ELEC(RMAT)/12/2024-PROMOTIONS - Electronics Policy from ITE&C (Promotion Wing) Department, Government of Andhra Pradesh.
4. GO Ms No.68 I&C (P&I) Department dated 26.10.2024

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ORDER:

Vide reference-4 cited, considering the evolving needs of investors, climate change practitioners, and the necessity to create employment opportunities for the indigenous workforce, the State has brought the Andhra Pradesh Industrial Development Policy (4.0) 2024-29 and has also initiated the process of bringing various sectoral Policies, in alignment with the AP Industrial Development Policy (4.0) 2024-29.

2. Accordingly, the IT,E&C Department conducted extensive consultation meetings with Electronics Industrial associations, mega industries, and departments at the state level to solicit feedback from stakeholders and after multiple rounds of review and revisions with relevant departments and officials, a new Andhra Pradesh Electronics Manufacturing Policy (4.0) 2024-29 has been submitted.

3. The remarks of the Finance Department have been received vide e-File No: ITC01-ELEC0ELEC(RMAT)/12/2024-PROMOTIONS (C.No.2584742) that after examining the proposal, the cap on incentives to be limited to a maximum of 75% of FCI under all categories.

4. Hence, the Government, after careful examination of the proposal, hereby accords the approval of the Andhra Pradesh Electronics Manufacturing Policy (4.0) 2024-29. The Policy Document, under Annexure, is appended to this order. This policy envisions to make the State as a premier destination for the electronics manufacturing industry by providing world-class infrastructure, by fostering innovation through emerging technologies, by bringing the entire electronics value chain to the State, and by creating large-scale employment opportunities through a conducive policy

environment.This policy further aims to build a sustainable electronics manufacturing ecosystem that significantly contributes to the economic development of the State.

5. This Policy shall be valid for a period of 5 years from the date of the policy notification, or till a new Policy is announced, whichever is later. The policy may be amended and modified during implementation; however, all such amendments and modifications shall be applied prospectively and shall not curtail any benefit or concession already granted under the policy. The Government of Andhra Pradesh may extend the period of this Policy as required.

6. The Incentives mentioned in the policy will be extended to eligible Industries as per the operational guidelines to be notified separately. The IT,E&C Department shall take necessary action for implementing operating guidelines for this Policy.

7. This order is issued with the remarks of the Finance (FMU-I&I, Energy and I&C) Department as mentioned above.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Dr. N.YUVARAJ
SECRETARY TO GOVERNMENT (FAC)

To:
All the Departments of Secretariat
The Secretary to Govt., Industries & Commerce Department, Government of Andhra Pradesh
The Commissioner and I.G., Stamps and Registration
The Vice Chairman and Managing Director, APIIC, Mangalagiri
The Director, Industries& Commerce, Andhra Pradesh
The Commissioner, Information and Public Relations, Andhra Pradesh
The Member Secretary, A.P. Pollution Control Board, Andhra Pradesh
The Chairman & MD, AP TRANSCO
The Managing Director, APCPDCL/EPCPDCL /SPCPDCL
The Commissioner, Labour, Andhra Pradesh
The Vice Chairman, VUDA/TUDA/VGTMUDA
All the District Collectors & Magistrates, Andhra Pradesh
All the Municipal Commissioners, Andhra Pradesh
The Managing Director, APTS, Vijayawada
The Development Commissioner, VSEZ, Visakhapatnam
The Director, STPI, Andhra Pradesh
The Group CEO, APEITA

Copy to:
The Secretary, Ministry of Electronics & Information Technology (MeitY), Government of India
The Chief Minister's Office, Government of Andhra Pradesh
The PS to Chief Secretary to Government of Andhra Pradesh
The PS to Prl. Finance Secretary, Government of Andhra Pradesh
The OSD to Minister for HRD, IT,E&C, RTGs, Government of Andhra Pradesh
The PS to Minister for Finance, Government of Andhra Pradesh
The PS to Minister for Revenue, Government of Andhra Pradesh
The PS to Minister for MA&UD, Government of Andhra Pradesh
The PS to Minister for Energy, Government of Andhra Pradesh
The PS to Minister for Labour, Government of Andhra Pradesh
The PS to Secretary Planning Department, Government of Andhra Pradesh

//FORWARDED :: BY ORDER//

SECTION OFFICER

Annexure

(Annexure to G.O.Ms.No.5, ITE&C (Prom Wing) Dept., Dated:30.10.2024

Andhra Pradesh

Electronics Manufacturing Policy 4.0

(2024-29)

CONTENTS

1 PREAMBLE

1.1 BACKGROUND

The state of Andhra Pradesh (AP), strategically located in the southeastern part of India, has successfully leveraged its natural strengths to build a thriving industry and trade ecosystem. The 975-kilometers-long coastline of Andhra Pradesh, the bedrock of such growth, historically supported vibrant global trade. Today, it positions the state as a key player on a global platform, connecting India to the world. Ports such as Visakhapatnam, Kakinada and Krishnapatnam serve as crucial gateways for exports and imports along the length of the state's coastline, deeply integrating India's hinterlands into the intricate global trade networks.

Post the 2014 bifurcation of the state from the erstwhile Andhra Pradesh, the Government invested significant efforts in building on this phenomenal industrial legacy and aggressively promoting the strengths of the state. This has yielded rich results in achieving many firsts for the state. The state attracted India's largest foreign direct investment (FDI) in the automobile sector, saw investment from the first-of-its-kind mobile phone assembly plants and became the only Indian state to initiate the development of three industrial corridors. The state leveraged digitization in landmark reforms that have made it lead in the successive editions of "the Ease of Doing Business" rankings adjudged by the Department for Promotion of Industry and Internal Trade (DPIIT), Government of India.

The momentum created since 2014 continues to yield results even today. Andhra Pradesh's Gross State Domestic Product (GSDP) 2023-24 is estimated at Rupees (INR) 14.39 Lakh Crores (current prices), with a Compound Annual Growth Rate (CAGR) of 11 percent (%) from 2011-12 to 2023-24. The state's economy saw diversification, with significant contributions from agriculture, industry, and services. Despite losing significant financial resources post-bifurcation and competing with leading industrialized neighbors, the strong foundation enabled Andhra Pradesh to continue as an attractive destination for investments in India.

In the last decade, the state started comprehensive infrastructure plans, combining ports, airports, industrial corridors, parks, and essential utilities like power, water, and roads. This has made the state a top investment destination and will support industrial growth and job creation for the next 20-30 years.

The state also saw a rapid proliferation of major industries to all corners of the state, including Visakhapatnam, Vijayawada, Chittoor, Tirupati, Anantapur and Kurnool, successfully leveraging the state's proximity to all demand centers across south India. The strong foundation laid has helped the state position itself as a key export base within India, catering to a diverse range of products in its trade portfolio.

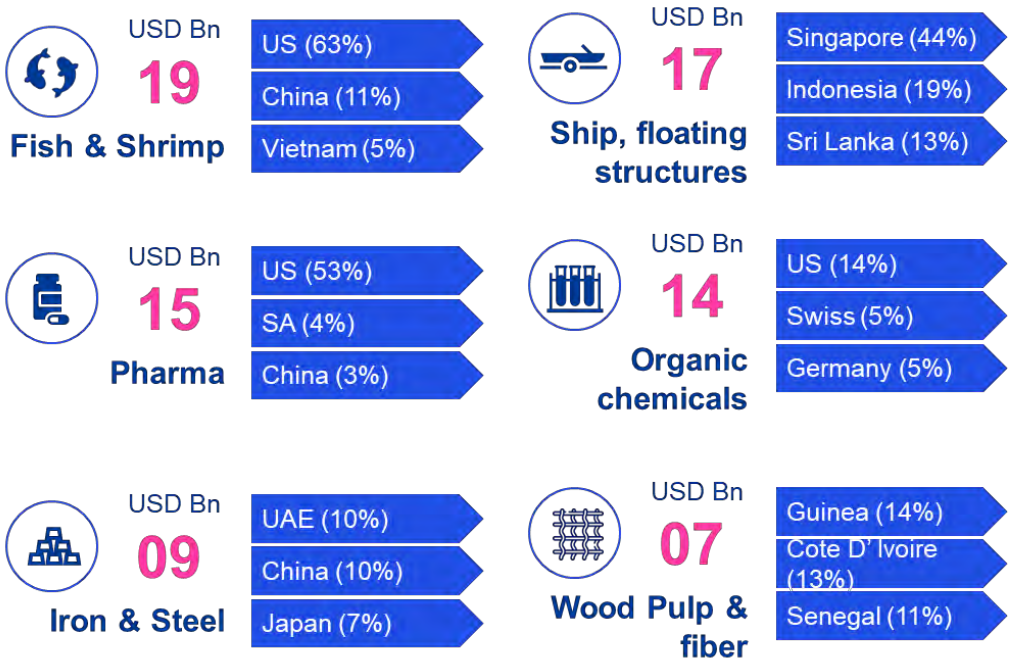
As India looks to integrate deeper into the global value chains and become the dominant destination for manufacturing, Andhra Pradesh stands at the forefront of India's industrial transformation. With a strong foundation in manufacturing, a thriving ecosystem of innovation deep-seated in learning and education, and an unwavering commitment to sustainable development, Andhra Pradesh is poised to embrace the challenges and seize the opportunities of the future. As India strides towards a new era of industrial growth, the Government aims to create an enabling framework for industrial development that harmonizes economic prosperity with environmental stewardship and social responsibility with the promise of bringing in 'speed of doing business' for the investor community.

1.2 INDUSTRY SECTOR - KEY HIGHLIGHTS

1.2.1 Sectors and Investments in State

1. There are over 1,066 Large and Mega Enterprises operating in the state. Since the formation of the state, in the last 10 years, INR 1.4 Lakh Crores worth of investments were realized and 2.54 lakh employment were created.
2. The highest investment values in the state were directed towards the Chemicals and (&) Petrochemicals sector (36%), followed by Infrastructure (15%), Basic Metals & Alloys (8%), Food, Agro & Marine Products (6%), Renewable Energy (6%), Auto & Auto components (6%), and Electrical & Electronics (5%).

3. Andhra Pradesh's export portfolio includes a significant portion of raw materials, with 53% of exports going to the Regional Comprehensive Economic Partnership (RCEP) (28%) and the United States-Mexico-Canada Agreement (USMCA) (25%) trade blocks for value addition. Impressively, 11% of the state's export basket generates 78% of its export revenue.
4. Top export products from Andhra Pradesh include pharmaceuticals, marine products, shipbuilding & floating structures, organic chemicals, iron, steel, wood pulp



and fiber.

Figure 1: Top merchandise export products from AP | source: DGCIS (2014-24)

1.2.2 MSME presence and clusters

1. Andhra Pradesh accounts for 9 Lakh formalized micro, small, and medium enterprises (MSMEs), accounting for approximately 3.23% of India's formalized MSMEs, according to the Udyam database of the Government of India. The National Sample Survey 2015-16 estimates that there are 34 Lakh MSMEs in the state, indicating that many operate in the unorganized sector, underscoring the need for formalization.

2. The sector is crucial for job creation, generating nearly 10 jobs for every INR 1 Crore investment. It also significantly contributes to the economy, accounting for 23.5% of the GDP and 28.3% of the exports.
3. There are 28 exclusive MSME parks in Andhra Pradesh, spread across 1,378 acres, with a 64% occupancy rate.
4. To support clusters with common facilities, the state is implementing 9 Common Facility Centers (CFCs) and 32 Infrastructure Development projects, dovetailing with the schemes from the Government of India.

1.2.3 **Well-developed Physical Infrastructure**

The state is developing 3 industrial corridors with linkages to all the major infrastructure within the state of Andhra Pradesh, namely:

1. **Ports:** 1 Major and 5 non-major ports in operation
2. **Airports:** 7 airports facilitating domestic and international connectivity.
3. **Roads**: Extensive network of national and state highways.
4. **Rail:** Comprehensive rail routes connecting major industrial hubs.
5. **Industrial Corridors:** Visakhapatnam-Chennai Industrial Corridor, Chennai-Bengaluru Industrial Corridor, and Hyderabad-Bengaluru Industrial Corridor.
6. **Dedicated Freight Corridors:** Enhancing cargo movement efficiency.
7. **Industrial Parks**: Numerous parks providing ready industrial land

1.2.4 **Power**

1. Andhra Pradesh is a power surplus state with an installed power generation capacity of 20 giga watts (GW)[1], with over 39% from renewable sources in FY 23. The total energy consumption during the period was 72,400 MU.
2. Additionally, the state is developing significant renewable energy capacity that can help reduce the cost of power supply while also decarbonizing the economy.

1.2.5 **Education**

1. Andhra Pradesh is home to a diverse range of higher education institutions, which include 3 central universities, 20 central autonomous institutions, 25 state

1 1 giga watt = 1 billion watts

universities, 4 deemed universities, and 5 private universities. Notable institutions include the All-India Institute of Medical Sciences (AIIMS - Mangalagiri), Indian Institute of Management (IIM - Visakhapatnam), Indian Institute of Technology (IIT - Tirupati), Indian Institute of Petroleum and Energy (IIPE- Visakhapatnam), and National Institute of Design (NID - Vijayawada) among others.

2. Andhra Pradesh has a strong foundation in Science, Technology, Engineering, and Mathematics (STEM) education. Approximately 75% of students choose Science streams after completing the 10th grade, which is significantly higher than the national average of 42%. This trend reflects the state's focus on developing a skilled workforce equipped for technology-driven industries and modern services.
3. With a literacy rate of around 67% and labor force participation rate of 55%, the state provides a large pool of youth for the rapidly growing industrial base in the state. Moreover, Andhra Pradesh is actively working to enhance education and skill development throughout the state. The Government is prioritizing educational access, especially in rural regions, by implementing initiatives to improve infrastructure, train teachers, and advance digital literacy.

1.2.6 **Achievements and Positioning of State**

1. Andhra Pradesh has been graded in the "achievers" category for coastal states in Logistics ease as adjudged by the "Logistics Ease Across Different States" (LEADS) report 2023.
2. Andhra Pradesh ranks 8th in the Export Preparedness Index released by NITI Aayog in 2022. In the "Top 100 Export Districts" from India, 8 districts are from Andhra Pradesh. Vishakhapatnam and East Godavari are amongst the top exporting districts in the country.
3. The state stands in the top 10 in the NITI Aayog's Sustainable Development Goals (SDG) Performance Report 2023-24, excelling in areas such as affordable energy (1st rank) and life below water (2nd rank).
4. Andhra Pradesh was recognized as one of the top 7 leading states in energy efficiency by the Bureau of Energy Efficiency in its 2023 State Energy Efficiency Index.

1.3 NEED FOR A NEW ELECTRONIC MANUFACTURING POLICY 2024-29

1. The electronics industry is the economic sector that produces electronic devices. Modern society use a wide variety of electronic devices operated by firms in this industry. The electronic products are assembled from metal-oxide-semiconductor transistors and integrated circuits.
2. The global Electronics System Design and Manufacturing (ESDM) sector is experiencing robust growth, driven by rapid technological advancements and increasing consumer demand for electronic devices. With the advent of technologies like 5G, Internet-of-things (IoT) and its variants like the Medical IoT, Industrial IoT, Consumer IoT, and Social IoT, Artificial Intelligence (AI), and autonomous systems, the ESDM sector is undergoing a transformative phase. The demand for sophisticated electronic products and components is rising, spurring innovation and investment in design and manufacturing capabilities worldwide.
3. Asia-Pacific remains the dominant region in the ESDM sector, led by countries like China, Japan, South Korea, and Taiwan, which are major hubs for electronics manufacturing and innovation. The global semiconductor shortage has further highlighted the critical importance of the ESDM sector, prompting Governments and companies to enhance their supply chain resilience and invest in local manufacturing capabilities.
4. India is rapidly becoming a major player in the global Electronics System Design and Manufacturing (ESDM) sector. Key Government initiatives like "Make in India" and the Production Linked Incentive (PLI) scheme, and the Indian Semiconductor Mission (ISM) have attracted significant investments, boosting local manufacturing and supply chain resilience. The development of semiconductor fabs and electronic manufacturing clusters is enhancing India's competitiveness.
5. India's skilled workforce, growing startup ecosystem, and increasing demand for consumer and automotive electronics are driving advancements in the sector. With its strategic location, cost advantages, and supportive policies, India is well-positioned to become a global hub for ESDM, playing a crucial role in the global electronics value chain.

6. The electronics sector demonstrated exceptional performance among India's top 10 export sectors in recent years, rising from the position 9 in the financial year (FY) 2018 to position 4 in FY 2024. In FY 2024, the exports of electronic goods were USD 29.11 billion as compared to USD 23.57 billion in FY23. The sector's export performance underscores its competitiveness in the global market and its ability to meet international demand.
7. Andhra Pradesh is emerging as a leading destination for the Electronics System Design and Manufacturing (ESDM) sector in India. The state boasts several strengths, including a strategic coastal location, world-class infrastructure, and a robust industrial base. With dedicated manufacturing clusters in cities like Visakhapatnam, Tirupati, Nellore, Sricity, Kadapa and Anantapur, Andhra Pradesh offers an ideal ecosystem for ESDM companies.
8. The state's strengths include a skilled workforce, competitive land and power rates, and proactive governance. The Government provides various incentives and support through industrial policies, aimed at attracting investments and fostering innovation. The state is home to numerous renowned technical educational institutions as described in section 1.2.5. In addition, the Polytechnic and Industrial Training Institutes (ITIs) that impart manufacturing-related skills among the youth, provide a steady supply of skilled engineers and technicians to the ESDM sector.
9. Andhra Pradesh offers state-of-the-art industrial parks, Special Economic Zones (SEZs), and Electronics Manufacturing Clusters (EMCs) equipped with cutting-edge facilities. The state's logistics capabilities, with well-connected ports and airports, enhance its export preparedness. The Visakhapatnam-Chennai Industrial Corridor (VCIC) further strengthens the state's position as a manufacturing hub.

2 POLICY PERIOD & APPLICABILITY

2.1 POLICY PERIOD

1. This Policy shall be valid for a period of 5 years from the date of the policy notification, or till a new Policy is announced, whichever is later.

2. The policy may be amended and modified during implementation; however, all such amendments and modifications shall be applied prospectively and shall not curtail any benefit or concession already granted under the policy. The Government of Andhra Pradesh may extend the period of this Policy as required.
3. The Government of Andhra Pradesh may extend the period of this Policy as and when required. The Policy shall be applicable to all the territories within the geographical boundaries of the state of Andhra Pradesh.

2.2 APPLICABILITY

1. This policy shall be applicable to the following categories of enterprise(s) and investment(s):
    a) New and existing enterprises investing and establishing new units.
    b) Existing enterprises investing in expansion.

3 POLICY FRAMEWORK

3.1 VISION

To establish Andhra Pradesh as the premier destination for the electronics industry by providing world-class infrastructure and a conducive policy environment, fostering innovation and emerging technologies, bringing the entire electronics value chain to the state, and creating large-scale employment opportunities. This vision aims to build a sustainable ecosystem that significantly contributes to the economic development of the state and the nation.

3.2 GUIDING PRINCIPLES

Motto - Reduce cost of production and improve speed of business for enterprises

3.2.1 Globally Attractive Manufacturing Destination

Through this policy, Andhra Pradesh will create a conducive environment for enterprise looking to diversify manufacturing base, and expand to new markets. In response to the evolving geopolitical landscape, global manufacturers have sought new production bases to diversify their operations. This policy will encourage enterprises looking to set up their base to diversify production by offering competitive incentive.

3.2.2 Encourage Product Perfect Value Creation

This policy aims to support enterprises in achieving the highest standards of quality, ensuring that products manufactured in the state meet global standards. To facilitate this, the Government will provide comprehensive support to enterprises seeking globally recognized quality certifications. This includes offering incentives, technical assistance, and access to training programs that focus on quality management systems. By helping businesses obtain certifications, the Government aims to enhance the credibility and competitiveness of local products in the global market.

3.2.3 **Focus on Attracting FDI in the Sector**

The Government aims to establish the state as a premier destination for FDI by creating a conducive business-friendly environment. The state will focus on enhancing infrastructure, ensuring ease and speed of doing business, and providing robust support systems to attract global investors. By showcasing the state's strategic advantages, such as its geographical location, skilled workforce, and abundant resources, the Government seeks to draw significant FDI inflows.

The Government will actively engage with these global giants through targeted outreach programs and high-level delegations. The state will highlight its competitive advantages, including advanced infrastructure, a favorable business climate and friendly policy initiatives. By fostering partnerships with top electronic manufacturing companies, the state aims to drive technological advancements, enhance skill development, and create high-value employment opportunities.

3.2.4 **Support Employment Creation**

The Government is committed to creating substantial employment opportunities through this policy. By focusing on key sectors and leveraging the state's strengths, the policy aims to generate jobs for 5 lakh individuals over the next five years.

Andhra Pradesh has the advantage of qualified manpower as it is home to premier educational institutions as described in section 1.2.5. There are 250+ engineering colleges, 500+ Industrial Training Institutes (it is), 250+ polytechnics, and dedicated Skill colleges which further augment its educational infrastructure. The State Government is committed to Human Resource development and has actively promoted private sector participation in setting up training and skilling institutes.

3.2.5 **Green Energy Transition**

The government recognizes the urgency in action towards climate change and is committed to promoting the use of renewable energy sources. By harnessing the state's abundant renewable resources, such as solar, wind, hydro, and biomass, the government aims to reduce dependence on fossil fuels, lower greenhouse gas emissions, and mitigate the impacts of climate change. This approach not only ensures

a cleaner environment but also supports long-term economic growth by creating green jobs and fostering innovation in the renewable energy sector. For comprehensive and sustainable development efficient energy management is one of the corner stone. Over the years, the State has taken numerous innovative steps to produce energy from pumped storage, biomass and solar. The state is looking to achieve 40 GW energy from renewable source by 2030.

3.2.6 **AI, IoT, Industry 4.0**

Industry 4.0 plays a crucial role in the manufacturing sector. It's a disruptive concept that transforms production methods, enhances productivity, and boosts global competitiveness. At its core, Industry 4.0 relies on two key pillars: the Internet of Things (IoT) and Artificial Intelligence (AI). The convergence of AI and IoT enables manufacturers to leverage data from IoT devices, making informed decisions to optimize operations.

The state will create conducive environment for research, workforce training and bridging skill gaps, address ethical issues in the responsible utilization of AI in manufacturing and simplify compliance with regulations and industry standards.

3.2.7 **Leverage advantage of inland water transport through the interlinking of rivers**

The Government aims to harness the potential of inland waterways to enhance the state's transportation infrastructure. Water transport is the cheapest way to transport goods among the various modes of transportation. Investing in the development of ports, terminals, and related infrastructure along inland waterways can create new economic opportunities and generate employment.

3.2.8 **Port-based value addition**

India's trade with the Global East is projected to grow faster than the global average. Andhra Pradesh (AP) is poised to become a 'Logistics Hub for the East' due to its strategic locational advantages. The state features three ports with drafts over 18 meters, contributing to 15% of India's total port handling capacity. The Vizag-Chennai Industrial Corridor, along with the Chennai-Bangalore and Hyderabad-Bangalore corridors, further strengthens its logistical significance. Enhancing value addition near ports for high-value goods will enable **the state** to leverage its logistical strengths and stimulate economic growth.

3.2.9 **Dovetailing with Government of India Schemes**

Over the years, the Government of India has implemented several initiatives to establish India as a significant manufacturing hub. These efforts aim to enhance industrial growth, attract investment, and boost production capacities. In alignment with these national initiatives, the state will take requisite measures to complement existing efforts. These steps may include providing additional incentives, introducing new schemes, and framing new rules to create a conducive environment for manufacturing and economic development.

3.2.10 **End to end value creation for domestic raw material industries**

The State's exports stood at USD 19 Billion in FY 2024 and the majority of exports were in the form of bulk cargo i.e. simply exporting raw material for processing at other places. The State shall focus on adopting strategies that include responsible product diversification, strengthening the current ecosystem and focusing on value addition based on the current export potential of the districts. The state will encourage GI tagging of local produce such as agri produce, marine products, toys and garments.

3.3 TARGETS

1. Driving Large-Scale Employment & Sustainable Ecosystem Growth
2. To increase production in the state to USD 50 Billion (INR 4.2 Lakh Crores) by the end of the policy period.

3. Attract Investments worth USD 10 Billion (INR 84 thousand Crores) during the policy period.
4. First time employment creation of 5 Lakhs during the policy period from the electronics manufacturing sector

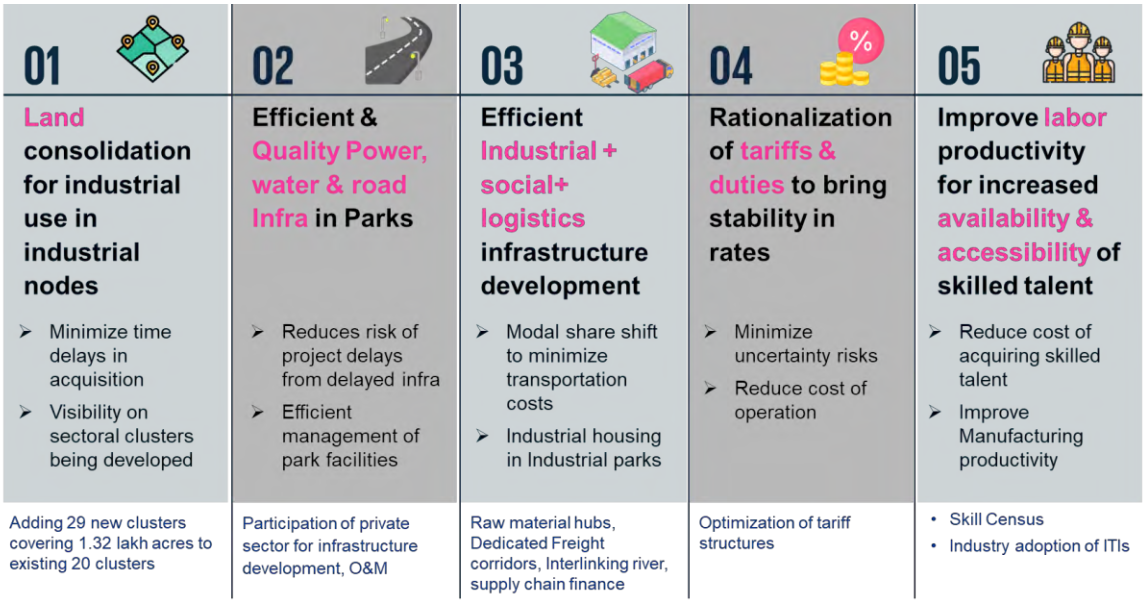
3.4 APPROACH

The Government wishes to realize its vision and targets and implement its guiding principles by focusing on the following areas:

1. Reducing the cost of production
2. Driving initiatives enabling Speed of Doing Business
3. Strengthening MSMEs and Entrepreneurs
4. Targeted Subsectors
5. Financial Incentives to fast-track investment attraction.

4 REDUCING COSTS OF PRODUCTION

The Government through interventions in following areas intends to bring down the cost of production for the larger manufacturing community.



1. Consolidation of land in nodes along Industrial Corridors.
2. Efficient and Quality infrastructure in Electronic Manufacturing Clusters
3. Efficient Logistics Infrastructure to bring down logistics cost.
4. Rationalization of tariffs and duties to bring down operating cost.
5. Improve labor productivity to increase availability and accessibility of skilled talent.

4.1 CONSOLIDATION OF LAND IN NODES ALONG INDUSTRIAL CORRIDOR

Andhra Pradesh is the only Indian state to have three (3) National industrial corridors –

1. VCIC – Visakhapatnam Chennai Industrial Corridor
2. CBIC – Chennai Bengaluru Industrial Corridor
3. HBIC – Hyderabad Bengaluru Industrial Corridor

The industrial corridors will significantly expand and enhance the competitiveness of manufacturing sector and facilitate employment creation in Andhra Pradesh through creation of efficient and integrated infrastructure. Further, the program will expand multi-modal transport networks along corridors, enhance institutions for corridor management, and address skills gaps to support industrialization.

Additionally, the Government currently has four (4) existing electronic manufacturing clusters. Further, these clusters will be deeply integrated into the industrial corridor network, facilitating forward and backward linkages, efficient logistics network between supply and demand centers and provide seamless movement of goods right from the ports to the hinterlands.

4.2 Efficient and Quality infrastructure in Electronic Manufacturing Clusters

External infrastructure such as road, water and power connection to the doorstep of electronic manufacturing clusters is provided for investors to start or scale their operations.

4.3 Efficient Logistics Infrastructure to bring down logistics cost

4.3.1 **Creating Raw Material Hubs**

To achieve the objective of port-based value addition, the Government will attract investments from large shipping and logistic operators to establish and operate sector-specific giga-size fulfilment centers.

The fulfilment centers will perform raw material inventory management by importing or domestically sourcing raw materials based, so as to make the material available to the industry on demand.

4.3.2 **Encourage modal share shift in logistics.**

The state has the advantage of two perennial river systems Krishna and Godavari. The state has also received approval for National Waterway 4 (NW-4) which runs along the Coromandel coast through Kakinada, Eluru, and Buckingham canal, and cuts through parts of Krishna and Godavari. State Government will focus on developing NW-4 to leverage the benefits of inland water transport for logistic movement.

The state has also received approval for two dedicated Freight corridors (DFC) – North-South DFC connecting Vijayawada to Itarsi (Madhya Pradesh) and East Coast DFC

connecting Vijayawada to Kharagpur (West Bengal). The state will prioritize road infrastructure projects connecting DFCs to existing and upcoming seaports.

4.4 RATIONALIZATION OF TARIFFS AND DUTIES TO BRING DOWN OPERATING COST

The Government will take measures such that power tariffs, water tariffs, building layout charges and any other charges that are affecting the cost competitiveness of the business are regularized.

Efforts will be made by all the related departments to arrive at equilibrium tariff structures that will assure stability in prices for the manufacturers.

4.5 IMPROVE LABOR PRODUCTIVITY FOR INCREASED AVAILABILITY AND ACCESSIBILITY OF SKILLED TALENT

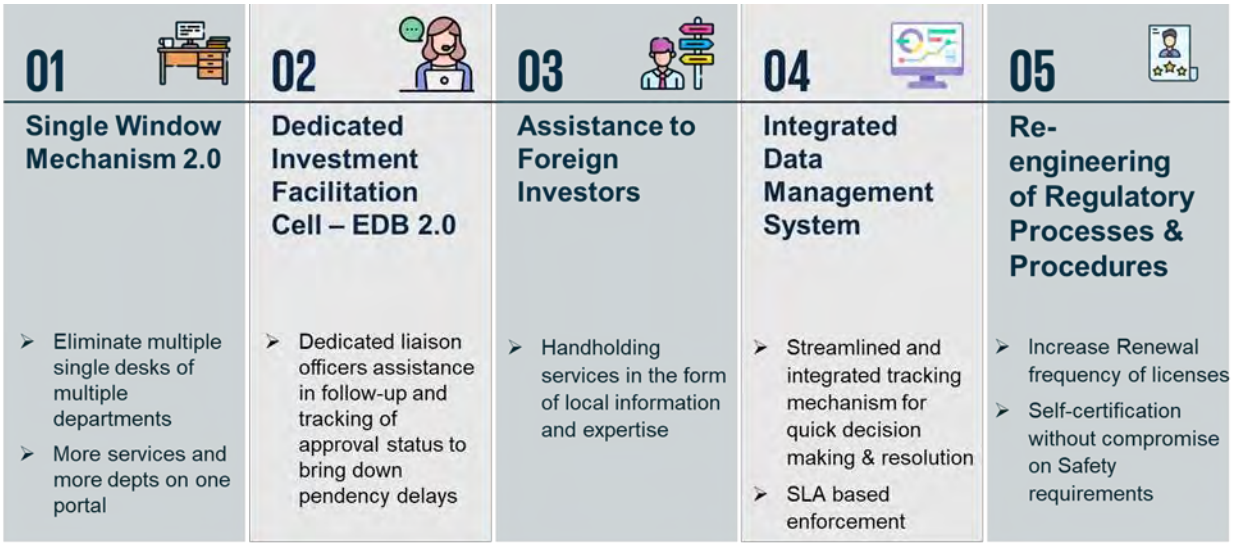
1. **Skill Census -** Similar to a demographic census, the Government intends to roll out a Skill Census in collaboration with industry associations, to systematically collect data on the skill sets of the workforce, assess existing skills, identify gaps, and map them against the current and future needs of industries.

2. **Industry adoption of ITIs –** The Industry commonly finds skill gap stems from outdated educational curricula, limited industry-academia collaboration, and inadequate practical training. To overcome the barrier, the Government intends to bring public private partnership model-based ITIs, which will be open for adoption by the nearby industry/industry association, to train the students on specific skills and improve their employability.

3. **Industrial Housing facilities –** To facilitate better living conditions for the employees working in the electronic clusters/ areas, land parcels will be earmarked

for the development of dormitories with supporting amenities. The housing facilities for the industrial workforce will be facilitated by the Government in collaboration with related line departments and offered to industries on a rental basis. Wherever industry comes forward for the construction of such housing requirements for its workforce, the state will support it with all necessary approvals.

5 ENABLING SPEED OF DOING BUSINESS



5.1 SINGLE WINDOW MECHANISM 2.0

Among the many initiatives undertaken as part of facilitating industry set-up in the State, the AP Government launched the Single Desk Portal (SDP) in June 2015. The one-stop shop is helping industries to obtain more than 93 regulatory clearances required to set up and operate the business in 21 days.

The SDP supports end-to-end transaction processing with online payment and application status tracking. Investors can obtain clearances belonging to 19 departments covering Pre-establishment approvals, pre-operation approvals and renewals.

5.2 Dedicated Investment Facilitation cell

To reduce the hassle of coordinating with multiple agencies post-submission of requests for various approvals on the Single Desk Portal, the state has created an investment facilitation cell.

Each investor will be assisted by a Liaison officer, who helps the investor in following up with different line departments and keeps the investor updated on the progress of approvals and various prerequisites pending with the investors.

5.3 Assistance to foreign investors

Andhra Pradesh has traditionally been one of the favored destinations for overseas investors. The Electronic Policy aims to strengthen this trend and promote accelerated growth in foreign investments in the state.

A healthy business environment with a predictable and non-discriminatory regime reduces the risk of doing business and is a major contributor to driving foreign investments. The Government is committed to providing world-class infrastructure, state-of-art R&D centers and quality human capital to attract FDI inflows into the state.

Following support services will be provided to potential investors by select country-specific desks:

1. Provide bespoke investor facilitation.
2. Handholding services in the form of local information and expertise
3. Comprehensive portal with business opportunity-related information

5.4 Re-engineering of regulatory processes and procedures

To improve speed of doing business, various services for which approvals need to be sought will be classified into three categories**.**

1. Category 1: Services for which approval is granted basis self-certification on payment of fee and application submission

2. Category 2: Services for which In-principle approval is granted basis self-certification on application submitted, while final approval is granted post inspection

3. Category 3: Services for which applicant will submit the application for approvals. The service deemed to be approved if post inspection approval is not received within defined SLA.

All the above interventions will be carefully and cautiously re-engineered such that industrial safety is not compromised.

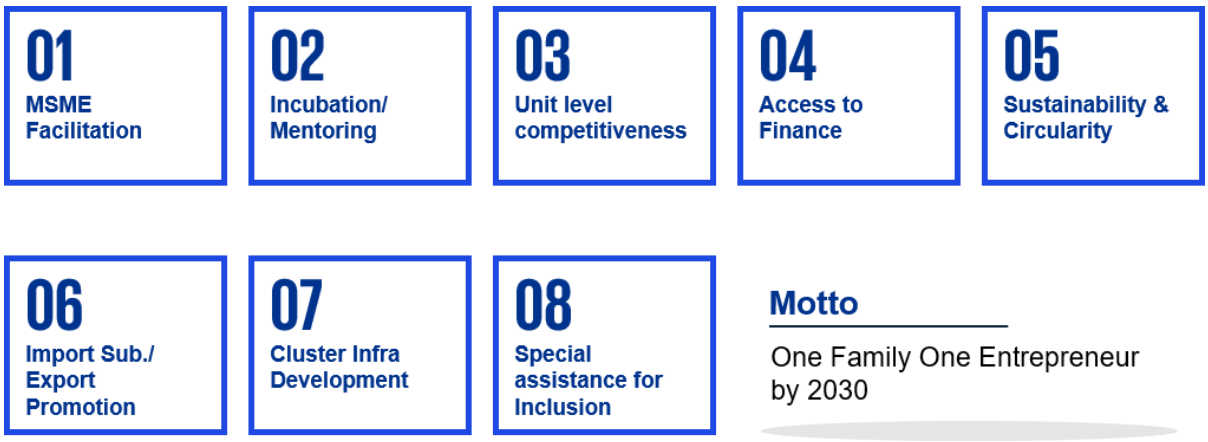
5.5 Integrated Data Management System

1. India's digital landscape is thriving, with over 751 Million internet subscribers as of 2024. The country's rapid digitization outpaces many other economies, as evidenced by a 90% increase in its Country Digital Adoption Index score since 2014. Notably, Andhra Pradesh actively promotes digital growth, innovation, and adoption of new technology in development.
2. The government will create an integrated data management system that will help provide information on demand, market, infrastructure, value chain, marketing events, export potential etc. The system will also track industrial output from each of the districts in the state, integrate with current systems such as Gati shakti and enable targeted policy measures to increase industrial output and exports.
3. A dedicated forum constituted by Industry associations, Subject Matter experts, and Government will be constituted to create a mechanism to receive feedback from industry at regular intervals. The feedback mechanism will help the Government address any systemic changes/re-engineering required to facilitate speed of doing business for the investors.

6 Strengthening MSMEs & Entrepreneurs

1. MSMEs are considered as backbone of economic growth of any nation and major employment generator. As of February 2024, there are around 7.41 lakh registered MSME units. This sector employs around 61.98 lakh people as of July 2024.

2. The State recognizes that support is particularly required for the MSME sector to keep pace with global manufacturing trends, and to tap the potential of export markets. They are an integral part of fostering community level entrepreneurship and inclusive development.
3. To provide focused support for MSMEs and new entrepreneurs, particularly in the manufacturing sector, the state will introduce a dedicated MSME and Entrepreneur Development Policy. This policy will be specifically designed to address the unique needs of the sector.
4. To facilitate the organized development of MSME clusters, more than 175 MSME parks, with at least one park per constituency, will be developed. The incentives and models for development are detailed in the Andhra Pradesh Policy for the establishment of Private Industrial Parks with 'Plug and Play' Industrial Infrastructure (4.0) 2024-29 ("Policy").
5. A dedicated corpus of INR 500 Cr will be created during the policy period towards CGTMSE, Technology transfer, revival of sick units, R&D etc.
6. A wholistic 8-dimensional approach will be adopted to elevate the competitiveness of the MSMEs and nurture new entrepreneurs to enter global marketplace.



7 TARGETED SUBSECTORS

The Government shall create a robust investment promotion strategy to attract the targeted subsectors' investments. To build a holistic ecosystem, the government shall focus on firms cutting across the value chain. The focus sub-sectors for this policy are:

#	Value Chain Coverage & Targeted Subsectors
1	Semiconductor Fab, Display Fab
2	Assembly Testing Marking and Packaging (ATMP), Outsourced Semiconductor Assembly and Test (OSAT), Printed Circuit Boards (PCB)
3	Compound Semiconductors / Silicon Photonics (SiPh) / Sensors / Discrete Semiconductors Fab in India for manufacturing High Frequency / High Power / Optoelectronics devices, semiconductor packaging
4	Passive and Active Components, Li-ion and Advance Chemistry Cell (ACC) Batteries, Chargers and other power electronics and other Eligible components as prescribed from time to time
5	Automotive Electronics, Mobile and Mobile Sub assembles & Accessories, Consumer Electronics, IT Hardware & Peripherals, Telecom and Networking Devices, and LED
6	IoT devices, and its variants like the Medical IoT, Industrial IoT, Defense IoT, the Social IoT, short-range (blue tooth, zigbee), medium-range, and long-range communication technologies, wired communication technologies, and systems manufacturing for the adoption of IPv6
7	e-Waste Processing

8 FINANCIAL INCENTIVES

The state classifies investment categories into four investment bands attached with standard investment periods defined below:

#	Category	Fixed Capital Investment Range (INR Crores)
1	Sub Large Projects	>50 – 200
2	Large Projects	> 200 – 1,000 *
3	Mega Projects	>1,000 – 5,000
4	Ultra Mega Projects	>5,000

*> : greater than

The overall incentive a company can claim, through the combination of incentive packages offered through this policy or any subsequent policies, shall not exceed 75% of the eligible fixed capital investment (EFCI) in the state of Andhra Pradesh.

To ensure the timely disbursement of incentives, the government is working towards an ESCROW account-based disbursement mechanism.

8.1 INCENTIVES AND CONCESSIONS FOR SUB-LARGE PROJECTS

8.1.1 Investment size:

1. Projects with FCI above INR 50 Crores up to INR 200 Crores with a committed standard investment period of 3 years.

8.1.2 Investment Subsidy

1. Capital subsidy of 20% of Eligible Fixed Capital Investment (EFCI). Incentives shall be disbursed in 5 equal annual instalments from the DCP.

8.1.3 Top-up on Employment/Investment (E/I) Ratio

1. Projects showing a higher employment-to-investment (E/I) ratio will be incentivized with this subsidy.

2. This incentive is in addition to the investment subsidy, applicable only for those projects if the Employment/Investment ratio >10.

3. Additional 5% of Capital subsidy of EFCI.

8.1.4 Top-up on Value Addition

1. Additional 5% of Capital Subsidy of EFCI upon attaining value addition. The criteria shall be detailed in operational guidelines.

8.1.5 **Power Cost Reimbursement**

1. Fixed power cost reimbursement at INR 1 per unit for 5 years from the date of commencement of commercial production.

8.1.6 **Net State and Goods Services Tax (SGST) Reimbursement**

1. 100% net SGST payable on the sale of final products manufactured, sold, and registered in the State, will be reimbursed for a period of 5 years from the date of commercial production**.**

8.1.7 **Stamp Duty Reimbursement**

1. 100% stamp duty and transfer duty paid by the industry on the purchase of land meant for industrial use will be reimbursed.
2. 100% stamp duty for the lease of land/shed/buildings, mortgages and hypothecations will be reimbursed.
3. Stamp duty will be reimbursed only once on the land. Stamp duty will not be reimbursed on subsequent transactions on the same land.

8.1.8 **Recruitment Assistance**

1. INR 4,000 per male employee per month and INR 6,000 per female employee per month for 6 months will be provided for first-time recruits.
2. Incentive shall be disbursed after one year of operations.

8.2 INCENTIVES AND CONCESSIONS FOR LARGE PROJECTS

8.2.1 **Investment size:**

1. Projects with EFCI above INR 200 Crores up to INR 1,000 Crores with a committed standard investment period of 3 years.

8.2.2 **Investment Subsidy**

1. Capital subsidy of 25% of EFCI. Incentives shall be disbursed in 7 equal annual installments from the DCP.

8.2.3 **Top-up on Employment/Investment Ratio**

1. Projects showing a higher employment-to-investment (E/I) ratio will be incentivized with this subsidy

2. This incentive is in addition to the investment subsidy, applicable only for those projects if the Employment/Investment ratio >3.

3. Additional 5% of Capital subsidy of EFCI.

8.2.4 **Top-up on Value Addition**

1. Additional 5% of Capital Subsidy of EFCI upon attaining value addition. The criteria shall be detailed in operational guidelines.

8.2.5 **Power Cost reimbursement**

1. Fixed power cost reimbursement at INR 1 per unit for 5 years from the date of commencement of commercial production.

8.2.6 **Net SGST Reimbursement**

1. 100% net SGST payable on the sale of final products manufactured, sold, and registered in the State, will be reimbursed for a period of 5 years from the date of commercial production**.**

8.2.7 **Stamp Duty Reimbursement**

1. 100% stamp duty and transfer duty paid by the industry on purchase of land meant for industrial use will be reimbursed.

2. 100% stamp duty for lease of land/shed/buildings, mortgages and hypothecations will be reimbursed.

3. Stamp duty will be reimbursed only once on the land. Stamp duty will not be reimbursed on subsequent transactions on the same land.

8.2.8 **Recruitment Assistance**

1. INR 4,000 per male employee per month and INR 6,000 per female employee per month for 6 months will be provided for first-time recruits.

2. Incentive shall be disbursed after one year of operations

8.3 INCENTIVES AND CONCESSIONS FOR MEGA PROJECTS

8.3.1 **Investment size:**

1. Projects with EFCI above INR 1,000 Crores up to INR 5,000 Crores with a committed standard investment period of 4 years.

8.3.2 **Investment Subsidy**

1. Capital subsidy of 30% of EFCI. Incentives shall be disbursed in 10 equal annual installments from the DCP.

8.3.3 **Top-up on Employment/Investment Ratio**

1. Projects showing a higher Direct employment to investment (E/I) ratio will be incentivized with this subsidy

2. This incentive is in addition to the investment subsidy, applicable only for those projects only if the Employment/Investment ratio >2.

3. Additional 5% of Capital subsidy of EFCI.

8.3.4 **Top-up on Value Addition**

1. Additional 5% of Capital Subsidy of EFCI upon attaining value addition. The criteria shall be detailed in operational guidelines.

8.3.5 Power Cost Reimbursement

1. Fixed power cost reimbursement at INR 1 per unit for 5 years from the date of commencement of commercial production.

8.3.6 Net SGST Reimbursement

1. 100% net SGST payable on the sale of final products manufactured, sold, and registered in the State, will be reimbursed for a period of 5 years from the date of commercial production**.**

8.3.7 Stamp Duty Reimbursement

1. 100% stamp duty and transfer duty paid by the industry on purchase of land meant for industrial use will be reimbursed.

2. 100% stamp duty for lease of land/shed/buildings, mortgages and hypothecations will be reimbursed.

3. Stamp duty will be reimbursed only one time on the land. Stamp duty will not be reimbursed on subsequent transactions on the same land.

8.3.8 Recruitment Assistance

1. INR 4,000 per male employee per month and INR 6,000 per female employee per month for a period of 6 months will be provided for first-time recruits.

2. Incentive shall be disbursed after one year of operations

8.3.9 Tailor Made Benefits

Projects under this category shall be offered tailor-made benefits.

8.4 Incentives and Concessions for Ultra Mega Projects

Projects with a proposed investment of more than INR 5,000 Crores with a committed standard investment period of 4 years, are classified as Ultra Mega Projects.

Tailor-made benefits: The Government will extend tailor-made benefits to ultra-mega projects to suit particular investment requirements on a case-to-case basis based on the gestation period, pioneering nature, locational aspects, technology, project's importance to the state's industrial growth and its ability to generate large scale employment for people or revenues for the state.

9 OPERATIONAL GUIDELINES AND POLICY IMPLEMENTATION

9.1 OPERATING GUIDELINES

The operating guidelines for this policy will be issued separately detailing the definitions of various terminologies and procedures for availing of incentives under this policy.

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