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**Proposal
For
New Industrial Policy-Andhra Pradesh**

Prepared

For

FAPCCI

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Data Sheet
Socio-Economic Indicators in Five Major Industrialized States of India

| Item | India | Andhra Pradesh | Tamil Nadu | Karnataka | Gujarat | Maharashtra |
|---|----------|----------------|-----------------|---------------|---------------|-----------------|
| Total Population (Census 2001) (In Million) | 1028.16 | 76.21 | 61.41 | 52.84 | 50.67 | 96.87 |
| Decadal growth (Census 2001) (%) | 21.54 | 14.59 | 11.72 | 17.51 | 22.66 | 22.73 |
| Population below poverty line (%) (NSSO) | 26.10 | 15.77 | 21.12 | 20.04 | 14.07 | 25.02 |
| Per capita income at constant prices (1999-2000) (in rupees) for 2006-07 | 22553 | 22835 | 25898 | 21931 | 27027 | 30750 |
| Infant Mortality Rate (SRS-2007) | 57 | 56 | 37 | 48 | 53 | 35 |
| Maternal Mortality Ratio (SRS 2001-2003) | 27.40 | 14.80 | 8.80 | 18.90 | 16.60 | 11.7 |
| Literacy rate (2001) | 64.84 | 60.47 | 73.45 | 66.64 | 69.14 | 76.88 |
| Gross Cropped Area (2004-2005)(%) | 62.55 | 45.8 | 45.21 | 67.23 | 58.72 | 72.72 |
| Percentage of irrigated area to total cropped area (2004-05) (%) | 41.60 | 39.80 | 52.40 | 26.0 | 37.1 | 17.0 |
| Average size of Land Holdings(Hect) | 1.32 | 1.25 | 0.89 | 1.74 | 2.35 | 1.57 |
| Area, Production & yield of crops-rise (2005-06) Kgs per Hect. | 2102 | 2939 | 2546 | 3868 | 1949 | 1779 |
| Production & yield of Food grains (2005-06) Kgs per Hect | 1715 | 2365 | 1847 | 1776 | 1551 | 948 |
| Indebtedness of Farmer Households (%) | 48.6 | 82.0 | 74.5 | 61.6 | 51.9 | 54.8 |
| Live stock production (2003)(%) | 100.00 | 9.94 | 5.14 | 5.28 | 4.46 | 7.58 |
| Milk production (2005-06) (%) | 100.00 | 7.85 | 5.64 | 4.14 | 7.19 | 6.97 |
| No.of Factory workers (2004-05) and (% to all India) | 6599298 | 784013 (11.88) | 1046788 (15.86) | 431196 (6.53) | 606847 (9.20) | 814599 (12.34) |
| No.of Factory Employees including workers (2004-05) and (% to all India) | 8453624 | 933473 (11.04) | 1268335 (15.00) | 553457 (6.55) | 808618 (9.57) | 1162346 (13.75) |
| Electricity-Annual per capita consumption-Agricultural (2004-05) KWH | 81.25 | 179.0 | 151.7 | 168.9 | 224.6 | 105.1 |
| Electricity-Annual per capita consumption-Industrial(2004-05) KWH | 95.75 | 115.21 | 149.18 | 90.96 | 185.05 | 174.95 |
| Road Length (2001-02) Kms | 2483344 | 196172 | 166061 | 152599 | 137617 | 267452 |
| Railways, Route Length (2006-07) Kms | 63332.13 | 5185 | 4121 | 3002.28 | 5282.87 | 5527.98 |
| No.of Scheduled commercial Bank offices (2006-07) per lakh population (No.s) | 6 | 7 | 8 | 9 | 7 | 6 |
| Percentage of employment in the public sector (State) to the State population (2003-04) | 0.67 | 0.59 | 0.93 | 1.04 | 0.35 | 0.48 |
| Per capita expenditure on Social and Social development services (2007-08) (in Rs.) | 1130 | 1887 | 1178 | 1868 | 1318 | 1172 |
| Per capita development expenditure (2007-08) (in Rs.) | 3017 | 4386 | 3793 | 4456 | 3123 | 3478 |
| Energy | 213.29 | 313.34 | 174.11 | 109.11 | 400.78 | 217.45 |
| Industry and Minerals | 50.91 | 68.59 | 65.50 | 109.11 | 79.59 | 56.361 |
| Transport & Communications | 140.61 | 169.82 | 133.42 | 252.67 | 256.94 | 64.84 |
| Science, Technology & Environment | 4.46 | 1.06 | 2.43 | 6.31 | 5.54 | 2.36 |
| General Economic Services | 91.87 | 90.90 | 319.75 | 151.51 | 62.17 | 30.49 |

Industrial Scenario in Andhra Pradesh

1. Introduction

The State's ambition to scale new heights in the economic growth trajectory perhaps is not too far off due to its brisk transition into an international, market based economy. Though late, there is a due recognition of the state's economic strengths and potentials, yet, the state has to go a long way to optimally exploit its natural resources for rapid industrialization which ensure unprecedented opportunities for growth. Surmounting the socio - economic disturbances and infrastructure bottlenecks the State today created base for many industries in the area of engineering, chemical, petrochemical, mineral processing, aqua culture and the frontier areas of electronics and information technology. The State has occupied an apex position in the manufacture of drugs and pharmaceuticals, IT and ITES.

There is a paradigm shift in the State's industrial policy of 50s and 60s that emphasized more on the import substitution, extensive public investment and development of heavy industry in the public sector supplemented by private investments towards development of ancillary units and small and medium scale industries in the New Industrial policy (2005-2010).

The industrial policy of the State shifted to distinguishing the responsibility of the State versus the private individuals/sector. Accordingly it started moving away from manufacturing to delivering services and infrastructure compatible with international standards, spreading a red carpet for those who would like to invest and generate employment. The current thinking is that the state should be a facilitator rather than the prime mover and regulator.

Launching of economic reforms led to the privatization of some of the State public sector units. On the other side, the public sector units like IDPL, Synthetic Drugs and ECIL were the first ones to lay foundation for making Hyderabad as the bulk drug capital of India and as the center for TV manufacture and IT hub respectively. In fact the State has made great strides in areas like biotechnology, Pharmaceuticals, and soft ware technology. The main objective of the Industrial policy of 2005 was to establish more of small and medium enterprises on one side and to encourage FDIs through Special Economic Zones on the other. The State does not intend to have let up in capturing the growing demand for IT and IT enabled services concurrently.

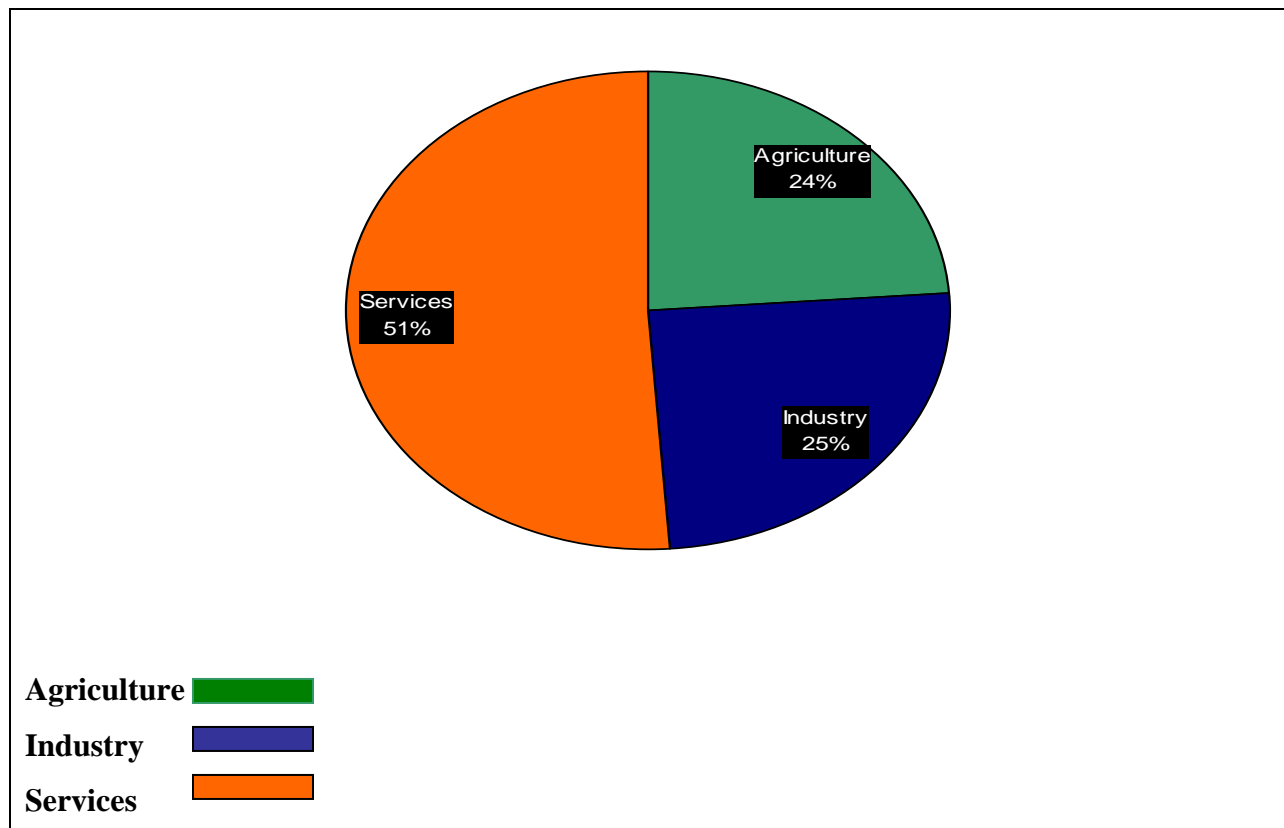
Despite efforts and incentives in industrial policy the post 1990s did not see the birth of a single large industry in the State. Growth has not been commensurate with its resource endowment. Entrepreneurship in the State shifted to areas that were capable of securing quicker fortunes than manufacturing and those lay in IT and ITES in tune with globalization that went underneath.

2. Andhra Pradesh Profile:

2.1 Sectoral Composition of Gross State Domestic Product:

In the past few years, the sectoral composition of GSDP in the State has undergone considerable change. The share of agriculture sector in the GSDP has declined from 30.2% in 2000-01 to 24% by 2008-09. However, while the share of industry sector has increased marginally from 22.6% in 2000-01 to 25% by 2008-09, the share of services sector has progressed from 47.2% to 51.1% during the same period. The Industry sector grew at 0.12% during 2008-09 over the previous year and Agri-sector at 2.96%. In fact for the first time, the contribution of agriculture in the state economy fell below that of industry. However, the growth of the manufacturing sector is declining in the last two years.

Chart 1: Sectoral Composition of Gross State Domestic Product (2008-09)



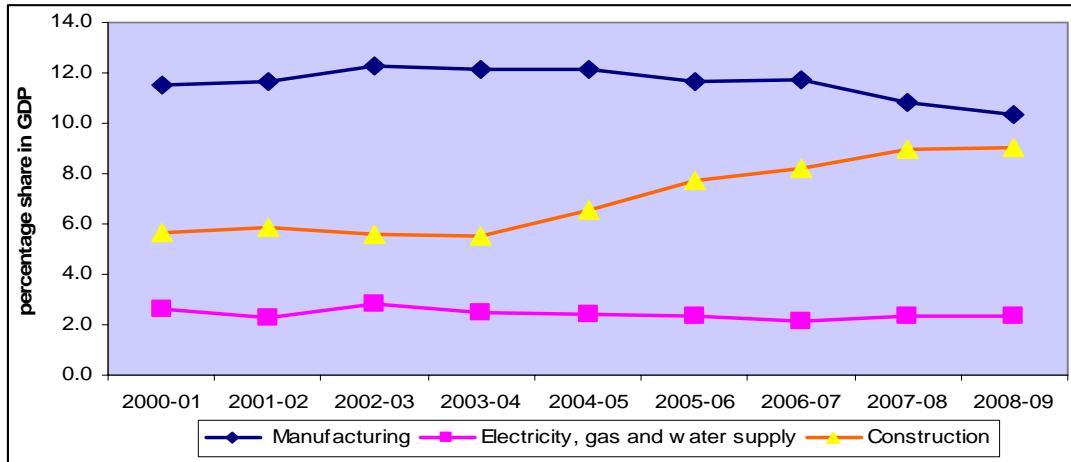
Looking at the performance of manufacturing sector across states, one finds that while some states have achieved high level of industrialization, some others are lagging far behind. This uneven development of the sector is contributing to a significant difference between the share of states in total manufacturing output and its share in number of workers. Of all the states, Maharashtra and Gujarat are the leading contributors to manufacturing output but they account for a lesser percentage of workforce. On the other hand, States like Tamil Nadu, Andhra Pradesh and West Bengal employ almost 35% of workers but contribute only 22% of output. There is a gradual decline in the growth of manufacturing sector during this decade in Andhra Pradesh (**Chart 2**).

The more robust growth of manufacturing in Maharashtra and Gujarat is a consequence of pro-active and supportive policy regimes. These states have provided several fiscal incentives to promote the growth of manufacturing sector. They have also emphasized on setting up of industrialized parks, up gradation of infrastructure, R&D, enhancing exports etc, with a view to increase the output of the manufacturing sector. There is clear evidence that the growth of manufacturing sector is dependent on the best available infrastructure viz., power, density of road and rail networks, financial depth of the states etc. Particularly in the states of Maharashtra, Gujarat, Tamil Nadu and Punjab, access to best quality infrastructure has been pushing up the growth of the sector. Moreover, greater supply of skilled personnel and flexible labour laws has attracted more industrial investments in these states.

**Table 1: Sector - wise Industrial share in total State GDP
at Constant Prices (1999-2000)**

| Years | Manufacturing | Electricity, gas and water supply | Construction |
|--------------|----------------------|--|---------------------|
| 2000-01 | 11.5 | 2.6 | 5.6 |
| 2001-02 | 11.6 | 2.3 | 5.9 |
| 2002-03 | 12.3 | 2.8 | 5.6 |
| 2003-04 | 12.2 | 2.5 | 5.5 |
| 2004-05 | 12.1 | 2.4 | 6.6 |
| 2005-06 | 11.7 | 2.3 | 7.7 |
| 2006-07 | 11.7 | 2.1 | 8.2 |
| 2007-08 | 10.8 | 2.3 | 9.0 |
| 2008-09 | 10.4 | 2.3 | 9.0 |

Chart 2: Break up of Industrial share in State (Andhra Pradesh) GDP at Constant Prices (1999-2000)



2.2 Availability of Natural Resources:

Andhra Pradesh has a comparative advantage in terms of land, climate and natural resources. Large coverage of fertile land, perennial rivers, rich mineral deposits and suitable climatic conditions throw ample opportunities for industrial expansion.

2.3 Agriculture:

The state is a leading producer of paddy and other crops like tobacco, cotton, groundnut, dry chilly, sugarcane, pulses, fruits and vegetables etc. Further, the State has the second leading position in the production of horticulture crops and the production is expected to reach 22.90 million tonnes by 2020. In addition, the State produces some of the finest varieties of mangoes, sweet lime, grapes, pineapple, papayas, banana and guava. Apart from these, the State also produces spices like turmeric, ginger, coriander etc. To achieve the targeted growth in agri-sector, the State intends to promote investment of around the state intends to promote investment of around US\$ 17.07 billion by 2010, while the total investment until 2020 would be around US\$ 39.02 billion.

2.3.1 Agriculture & Allied Industry: Fisheries.

The state has a formidable presence in the production of marine fish production. It ranks first in brackish water shrimp production and fresh water prawn production. The targeted production was not only set to 0.9 million tonnes of fish/prawn during 2006-2007 but also to achieve 1

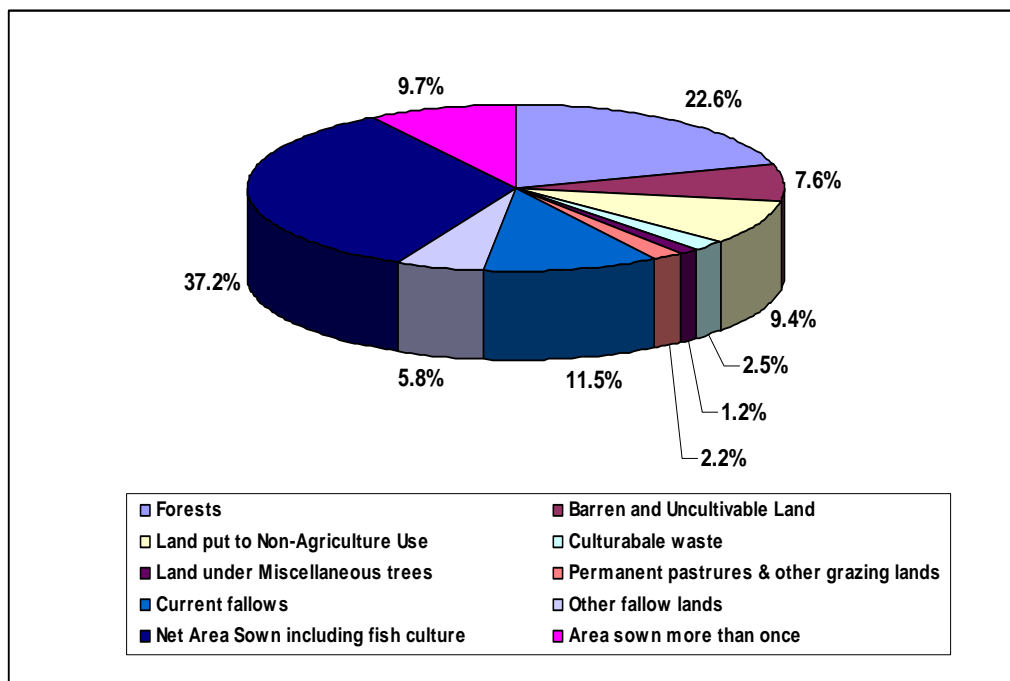
million tonnes per annum by 2009. Hence the AP government has entered into an agreement with the US-based World Tuna Development International (WTDI) to develop the tuna fishery in the Bay of Bengal and proposed to invest US\$ 2 million towards 51 per cent of the equity in the proposed joint venture company named as Andhra Pradesh Marine Fisheries Development Ltd (APMFD) as WTDI invests the remainder—US\$ 1.99 million towards 49 per cent. Remaining US\$ 11.5 million provided as term loans.

2.4 Forest resources:

Andhra Pradesh has a total forest cover of 62.10 lakh Ha constituting 22.6% of the total geographical area of the State. Around 45% of the cover falls in the Telangana region, 30% in the coastal region and 25% in Rayalaseema region.

The major forest produces in the State are Timber, firewood & charcoal. Minor forest produce include bamboo, beedi leaves, soap nuts etc. Plantation products like cashew, teak and coffee are also grown. The pride of A.P's forests – Red Sanders wood – is grown in 2600 hectares in Kadapa, Nellore, Chittoor and Kurnool districts. Other plantations are sandal wood, pine silver oak and casuarinas.

Chart 3: Land Utilization (2006-07)



2.5 Mineral Deposits:

The State has a significant share in mineral resources and production in India. Nearly 48 minerals are found in the State producing about 50 million tonnes of industrial minerals. In the whole of India, only AP possesses the biggest Bauxite reserves and is the second biggest in the World constituting 500 million tones placed at Visakhapatnam district. The State accounts for an estimated 3 billion tonnes of coal, 2 billion tonnes of limestone and considerable resources of other deposits like Quartz, China clay, Graphite, Copper, Manganese besides low grade Iron Ore. The world's best granite, Black Galaxy, is found only in Andhra Pradesh. It is the second largest producer of cement in the country. Larsen and Toubro's plant with a maximum capacity of 6 MTPA is the largest in Asia. Gujarat's Ambuja Cements Ltd plans to invest US\$ 160 million to set up a plant with a capacity of 2 MTPA.

The mining sector is estimated to be growing at about 12% a year. Natural Gas is the recent exploration found in ample quantities in the Krishna Godavari Basin. It is hence now proposed to utilize this gas for power generation. Further availability of gas is an added advantage to the State for setting up a few Petro-Chemical complexes and a host of other industries. Minerals are a major contributor to the economic growth of the State. The state has huge amount of mineral reserves that can be exported through existing and new ports.

Deposits of some major minerals in AP are:

| | |
|---------------|------------------------|
| 1. Coal | 13021.5 Million Tonnes |
| 2. Limestone | 30400 Million Tonnes |
| 3. Bauxite | 700 Mill.Tonnes |
| 4. Gold ore | 6.84 Mill.Tonnes |
| 5. Granite | 1072.42 Mill.Tonnes |
| 6. Beach sand | 32 Million Tonnes |
| 7. Diamond | 194990 Carats |

AP's share in deposits of major minerals is as follows:

Table 2: State's share in Indian Deposits of major minerals

| Major Minerals | Percentage share |
|----------------|------------------|
| Barites | 97% |
| Sand | 62% |
| Mica Crude | 47% |
| Silver | 40% |
| Quartz | 40% |
| Lime stone | 40% |
| Clay | 32% |
| Bauxite | 30% |
| Apatite | 27% |
| Feldspar | 24% |
| Diamond | 16.3% |
| Manganese | 8.91% |
| Coal | 7.08% |

Chart 4: Mineral Resources in Andhra Pradesh



The index of Industrial production of mining and quarrying with a weight of 48.5 in the State scaled up by 99.8 percent during the year 2006-07 when compared to 12.9 percent in the corresponding previous period while at ALL India level with a weight of 104.7 the index stood at only 5.4 percent although there is an increase from 1 percent in the corresponding last year¹.

Table 3: Comparative Growth of Mining and Quarrying, Manufacturing and Electricity sector in AP and All-India During 2006-07

| Sectors | (Percentages) | | |
|----------------|--------------------|---------------|-------------|
| | Mining & Quarrying | Manufacturing | Electricity |
| All India | 5.4 | 12.5 | 7.2 |
| Andhra Pradesh | 99.8 | 10.3 | 10.0 |

Note: Figures represent the percentage change over the previous year.

Source: Index of Industrial Production 2006-07, Directorate of Economic & Statistics, Government of AP, Hyderabad.

2.6.1 Access to Industrial Infrastructure: Power

The State became the forerunner in Power sector reforms in the country in the backdrop of a significant decline in the operational and financial performance of Andhra Pradesh State Electricity Board (APSEB) in the 1990s. Today the State has the 3rd largest power utility in the country. APGENCO's Hydel Installed Capacity is highest in India, ranking first in hydro-electricity generation with a national market share of 11%. During 2008-09, 12427 MW power installed capacity was recorded in the state. In the last 3 years the capacity addition constituting about 2080 MW forms the highest in the Country. Plans are afoot to add 4000 MW capacity in the next 2-3 years. The state achieved highest Plant Load Factor of 89.7% in the country. NTPC has 1000 MW power plant at Visakhapatnam and proposed to expand at a competitive price. Government of AP is providing Industrial Express Feeders to mega industries to ensure uninterrupted power supply. There are 990 Industrial Express Feeders in place ranging from 11 KV to 220 KV. As of 2008-09, the state sector contributed the highest part of 7320.86 MW followed by central with 2963.22 MW and private sector by 2143.17 MW thus making up a total of 12427.25 MW.

¹ Index of Industrial Production- 2006-07, Directorate of Economic and Statistics, Government of Andhra Pradesh, Hyderabad.

Table 4: Andhra Pradesh Power Sector- A Snapshot

| Parameters | 2008-09 |
|--------------------------------------|----------------|
| Installed capacity (MWs) | 12427 |
| Generation (in million units) | 67,622 |
| Peak Demand (MW) | 9,997 |
| Consumers served (Lakh Nos) | 206.81 |
| Length of H.T.Lines (Circuit KM) | 301284* |
| Length of L.T.Lines (C.K.M) | 517685* |
| • No. of 400 KV Substations | 8* |
| • No. of 220 KV Substations | 90* |
| • No. of 132 KV Substations | 264* |
| • No. of 33 KV Substations | 3023* |
| • No.of LT distribution transformers | 6,74,217* |
| Towns and Villages electrified (Nos) | 26823* |
| Pumpsets energerised (Nos) | 4,90,003 |
| Per capita consumption (kWh) | 746 |
| Total Revenue (Rs. Crores) | 13,945 |

Source: APTRANSCO, * indicates the figures given are upto 31.3.2008.

Subsequently A.P. Genco has synchronized Dr. Narla Tatarao Thermal Power Project at Vijayawada, with 500 M.Ws. capacity on 6-4-2009 and the projects completed after 31.3.2009 and pending projects are as follows:

Table 5: On Going Power Projects in Andhra Pradesh

| Name of the Project | Capacity | Date of Commission/ Expected date |
|---|--|--|
| Public Sector: | | |
| 1. Dr. Narla Tatarao TPS at Vijayawada | 500 MW | 6.4.2009 |
| 2. Priyadrashini Jurala Hydro Electric Project | 39 MW | 28.5.2009 |
| 3. Kakatiya TPP Stage I | 500 MW | 12/2009 |
| 4. Nagarjuna Sagar Tail Pond dam Power Project | 2 X 25 MW | 12/2010 & 6/2011 |
| 5. Rayalaseema TPP Stage III | 420 MW | 10/2010 |
| 6. Kothagudem TPS Stage IV | 500 MW | 1/2011 |
| 7. APGENCO- Sri. Damodar Sanjeevaiah Thermal Power Project at Krishna patnam | 1600 MW (2 X 800) | 11/2009 |
| Private Sector | | |
| 8. Karimnagar Gas based power project | 2100 MW | |
| 9. GVK Power projects, E.G. Dist. a. Jegurupadu Phase I b. Jegurupadu Phase II c. Gowthami Power Project, Peddapuram | 216 MW 220 MW 464 MW | Commissioned Nearing completion Work in progress |
| 10. Coastal Andhra Power Ltd, Krishnapatnam (Subsidiary of Reliance Power) | 4000 MW (2000 MW to AP and the rest for Central grid) | September, 2013 |
| 11. Konaseema gas based power project | 820 MW | |

A.P.'s effort to create 3700 MWs of new power capacity through two mega power projects under joint venture, one of 1600 MWs TPS at Krishna patnam and the other at 2100 MWs gas based Karim nagar Power Project are running behind schedule. The 2 X 800 MWs Krishnapatnam Power Project by GENCO is expected to be completed shortly with a delay of nearly a year.

GVK Group set up 216 MW Jegurupadu power plant (Phase I) with an investment of Rs 1025 crores in 1997 and started phase II with an installed capacity of 220 MW which is nearing completion. The Project will operate on dual fuel combined cycle mode comprising one gas turbine and one steam turbine. GVK Group took over the 464 MWs gas based Gowthami Power Project located in Peddapuram, East Godavari Dist. from Satyam group in addition to its existing gas-based Private Power plants at Jegurupadu.

The Coastal Andhra Power Ltd. (CAPL), a subsidiary of Reliance Power is setting up an ultra power mega Project of 4000MW capacity at Krishnapatnam with an investment of Rs 16,000 crores by importing coal through Krishnapatnam Port. Asian Development Bank has cleared a loan of \$125 million on 16th September, 2009. Reliance Power bidded to supply power at an average cost of Rs 2.33 per unit. As against 4000 MW of power produced, 2000 MW is decided to cater to A.P. and the rest for central grid. The Project is expected to be completed by September 2013.

Konaseema Power plant with 820 MWs capacity was completed for over two years, but commercial operation could not start for want of supply of gas. AP will have an additional gas based Power plant, when LANCO group commissions its 366 MWs Kondapalli expansion Project in January 2010.

The non-conventional energy resources like solar, wind and tidal are to be harnessed, promoting increased use of renewable and environmental friendly sources of energy. Renewal energy offers greater employment opportunities and poses no fuel or transport hazards. Moreover, distributed renewable power generation can improve reliability of the electric grid and reduce risk of blackouts due to massive grid failures. In a state like AP, where frequency of grid failure is very high often posing threat to industrial production, immediate action from the government is essential to address the issue. As is clear from the tables below that the energy produced from solar and wind is quite negligible in the state, necessary incentives like subsidy, soft loans, concessional duty on import of raw materials, excise duty exemption on certain devices/systems etc needs to be accelerated and should be considered in the state power policy. The tables showing in the non-conventional.

2.6.2 Power requirement of the state by 2030

There is need to provide uninterrupted power supply to the industry in the state to raise the economic growth of the state. In order to achieve this, the state has to asses its power requirements both for the industry and the domestic by the year 2030 and government have to enhance the power generation according to the action plan worked out to ensure adequate supply of power. The installed capacity should be 1 ½ times more than the actual requirements keeping in view any possible generation.

Assuming a feasible growth rate at 10 per cent and per capita consumption at 5000 units in the next 20 years i.e by 2030, there is a need to expand the installation capacity to about 84094 MW which means a 7 fold increase in production. This can be achieved by standardizing the size of the generators. The growth momentum can be sustained only when there is an increase in the electricity generation. To achieve the targeted installation capacity, a 500 mw generator has to be commissioned every 4 months upto 2015 and by 2030 every month there is a need to have one generator. Instead of 500 mw generators, some other size may be considered. **(The projected figures on power requirement are given in Annexure 1)**

2.7 Roads Net Work:

AP has been one of the first States to encourage private sector participation in infrastructure development. The State has a total length of over 2,00,000 kms of road network, including national and state highways, district and rural roads connecting the industrially developed areas. Development of high density corridors on major routes is being undertaken with private participation. Golden corridor project of GOI covered 1014 kms of NH-5 in the State.

Total Road Length in the State – 1, 78,747 km

| | | |
|---------------------|---|------------------------------|
| National Highways | - | 4,014 km |
| State Highways | - | 9,212 km |
| Major District Road | - | 33,499 kms |
| Rural Roads | - | 1, 32,022 kms |
| Road Density | - | 0.65 kms/Sq.kms. |
| | - | 244.72 kms / lakh population |

2.8 Airports:

Well connectivity internally as well as externally enabling the state to capture world markets and attract huge investments for upgrading the ports besides meeting the capital adequacy requirements for the domestic industrial units. So far three ports have been privatized in the state. The financial year 2008-09 posted an increase in the air traffic by about 6.2 million from

Hyderabad, mostly coming from the international traffic constituting 9%. New intentional Visakhapatnam air port has been completed having the target terminal among tier-II cities in India. Andhra Pradesh with its third intentional air port proposed at Tirupati, has also access to two other international air-ports nearby, at Chennai, 65 kms away from Tada in A.P. and Bangalore at a distance of 45 kms from AP border in Ananthapur district, thus state will be having an access to five international air-ports, a rare opportunity to any Indian State.

2.9 Ports:

The state has 13 major and minor ports and is considered as the second highest cargo handling state in India. Minor ports itself handled 26.88 MT of Cargo in the year 2008-09, while the entire capacity (minor + major) was 44.6 MT during 2003-04. Visakhapatnam port is the second largest in the country. The state is embarking on modernizing the ports as they offer wide spectrum of maritime activities for the development of specific industries of the 13 ports, krishnapatnam and gangavaram started operational this year, with five berths apiece, and their capacity would be increased in future kakinada deep water port, built in the 1990s by the state, would cross the 10 million tonne mark this year. The first deepest port in India with state-of-the art technology, having multi purpose world class facilities at Gangavaram, at Visakhapatnam, has been operationalized last year, with its proximity to major industrial and mineral belts.

2.10 Water:

In AP, ground water irrigation has become an alternative source of irrigation. In fact, “the ground water for irrigation has been part of the government strategy to increase agricultural production.” (James, A.J & Elizabeth, R.,2001). The increase in area under well irrigation coupled with the decline in tank irrigation invariably results in overall intense exploitation of ground water. Over-use of groundwater leading to depletion in the water levels across the State is the cause for concern. The ratio of ground water to surface irrigation has gone up from 0.3 in 1974-75 to 0.9 in 1999-2000. Sector wise details reveal an interesting fact that in future, water requirement for drinking purposes is expected to increase by 5.7 times followed by the industrial sector (5 times) compared to agriculture though agri sector is the maximum utilize. Recently Deshpande (2005) in his study on water demand by industry, found that AP is one of the highest water users for industrial purpose among the eight highest states of India.

Table 6: Water Requirement for various sectors in Andhra Pradesh (In M.C.M)

| Sector | Present Utilisation (2000) | Need by 2025 |
|------------------|-----------------------------------|---------------------|
| Drinking water | 601 | 3468 |
| Irrigation | 64252 | 108050 |
| Industries | 288 | 1445 |
| Power Generation | 28 | 56 |
| Total | 65169 | 113019 |

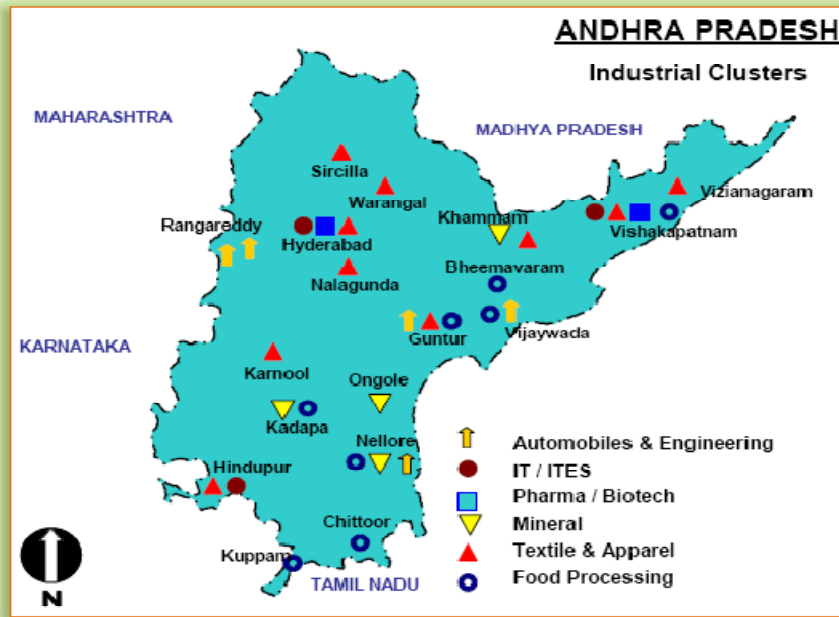
Source: Compendium of Environment Statistics: Andhra Pradesh 2007, Directorate of Economics and Statistics, Govt. of AP.

2.11.1 Industrial Clusters and Parks:

The State has 272 industrial estates being the second highest in the country and 4 growth centres. Against the strong industrial base and productive workforce, the State has taken initiative in establishing the product specific industrial area. In this process, Hyderabad has been transformed into IT, Biotechnology and Gems & Jewellery hub of India. Major IT players like Microsoft, oracle, Infosys, Wipro, Satyam etc. has made Hyderabad silicon city of India. The state had attracted huge investments from Fortune 500 companies and is fast emerging as a Gems and Jewellery Hub.

In the last few years, Marine Bio-tech Park, Agri- Bio tech park, Pharma city are other important centers flourished in AP. To propel growth, government of AP developed six industrial clusters under “Industrial Infrastructure Up gradation 30 scheme”. Of these two clusters viz., Pharma and Auto components have already got the approval from Government of India. Another four are under consideration and other 14 are in the process of development.

Chart 5: Industrial Clusters in Andhra Pradesh



Source: Commissionerate of Industries, Andhra Pradesh, 2006,
<http://sezindia.nic.in>
 Source: sezindia.nic.in

Table 7: Industrial Clusters

| | |
|----------------------------------|--|
| <p>Major Industrial clusters</p> | <ul style="list-style-type: none"> • Mango jelly – Kakinada Sarpavaram East Godavari district • Cashew processing – Palasa, Srikakulam district, Vetapalem – Prakasam district • Marine foods – Visakhapatnam, • Oil mills – Cuddapah, Prodattur, Nandyal, Adone • Graphite crucibles- Rajamundry, Samalkota, East Godavari dt • Roofing tiles – Jaggampeta, EG district, Kothavalsasa, Vizianagaram dt, Nuzvid, Krishna dt • Stone polishing – Bethamcherla, Tandur, Yerraguntla, Tadipatri, • Granite tiles – Kuppam(Chittoor dt), Khammam, Chimakurthy (Prakasam dt), • Bulk drugs and formulations- Jeedimetla (Hyderabad) • Imitation jewelry – Machilipatnam (Krishna dt) • Handmade crochet lace – Narsapur (EG dt) • Readymade garments – Pamidi, Raidurg (Anantapur dt) • Leather tanning – Hyderabad and Warangal • Brass utensils – Vontimitta(Kadapa dt), Buditi (Srikakulam) Srikalahasti(Chittoor), • Aluminium utensils_ Rajamundry(EG dt) • Ceiling fans- Balanagar(Hyderabad) • Pneumatic hammers - drill bits, drilling equpt – Hyderabad, Secunderabad • Textiles & apparels: Visakhapatnam, Hyderabad • Gems & Jewellery : Visakhapatnam, Hyderabad • Pharma: Hyderabad, Visakhapatnam • IT & ITES: Hyderabad, Ranga Reddy, Visakhapatnam • Food Processing: Nellore, Guntur, Vijayawada |
|----------------------------------|--|

Source: AP- Profile, MSME Development Institute, Hyderabad.

2.11.2 SEZs in Andhra Pradesh:

India while drawing upon international experience to export promotion from Special Economic Zones, Government of India liberalized export policies and licensing of technology and implemented tax reforms for providing various incentives for investment promotion. In Andhra Pradesh, 103 SEZs have been formally approved, 4 approved in principle and 68 have been notified as on August 2009. Out of them, 17 SEZs have been operationalized. The district-wise, sector-wise break up of SEZs in AP are shown in the table below.

**Table 8: District wise & Sector wise break up of SEZs in AP
(As on October 2008)**

| S.No | District | SEZs | IT/ITES | Sector Specific | Multi Product | Multi Service |
|------|---------------|-----------|-----------|-----------------|---------------|---------------|
| 1 | Ranga Reddy | 48 | 37 | 10 | - | 01 |
| 2 | Medak | 06 | 01 | 05 | - | - |
| 3 | Warangal | 02 | 02 | - | - | - |
| 4 | Mahaboobnagar | 05 | - | 05 | - | - |
| 5 | Nalgonda | 02 | - | 02 | - | - |
| 6 | Visakhapatnam | 11 | 06 | 04 | 01 | - |
| 7 | Srikakulam | 01 | - | 01 | - | - |
| 8 | East Godavari | 03 | 01 | 01 | 01 | - |
| 9 | West Godavari | 01 | - | 01 | - | - |
| 10 | Krishna | 02 | 02 | - | - | - |
| 11 | Nellore | 05 | - | 03 | 02 | - |
| 12 | Guntur | 02 | 02 | - | - | - |
| 13 | Prakasham | 02 | - | 02 | - | - |
| 14 | Kurnool | 01 | 01 | - | - | - |
| 15 | Kadapa | 01 | 01 | - | - | - |
| 16 | Anantapur | 02 | - | 01 | - | 01 |
| 17 | Chittoor | 02 | 01 | - | 01 | - |
| | Total | 96 | 54 | 35 | 05 | 02 |

Wide connectivity of the Hyderabad city to all major cities of the World and its world class infrastructure has created an investment friendly environment. As a reason, in the recent years, the SEZs have mushroomed in and around the city creating an internationally competitive and hassle free environment for fast-track economic growth and export promotion. Tapping the infrastructure facilities in the city, the Gintanjali group established a Gems and Jewellery SEZ. This has been established on the land given by APIIC. This product specific SEZ is named as “Rajiv Gems Park” developed by Hyderabad Gems SEZ limited a 100% subsidiary of Rs.3,000 crore Gintanjali Group.

In recent years, steps are underway to promote robust manufacturing base at Hyderabad recognizing the city as the most intellectually stimulating and economically rewarding. Constant efforts by the state government in this direction has given rise to the Fab City- a world class hub for advanced semiconductor and electronics manufacturing SEZ. The development of Fab city though being promoted by the government of AP, APIIC is the monitoring body which oversees progress and establishes public-private partnerships with developers.

The government of AP has allocated 1050 acres of government land on the outskirts of Hyderabad at Thukkguda, Maheshwaram mandal, Ranga Reddy district, for the development of the Fab City. It is primarily located on a stretch of land along Srisailem Highway beside Rajiv Gandhi International Airport at Shamshabad. APIIC developed the infrastructure and allotted the land to respective SEZ units.

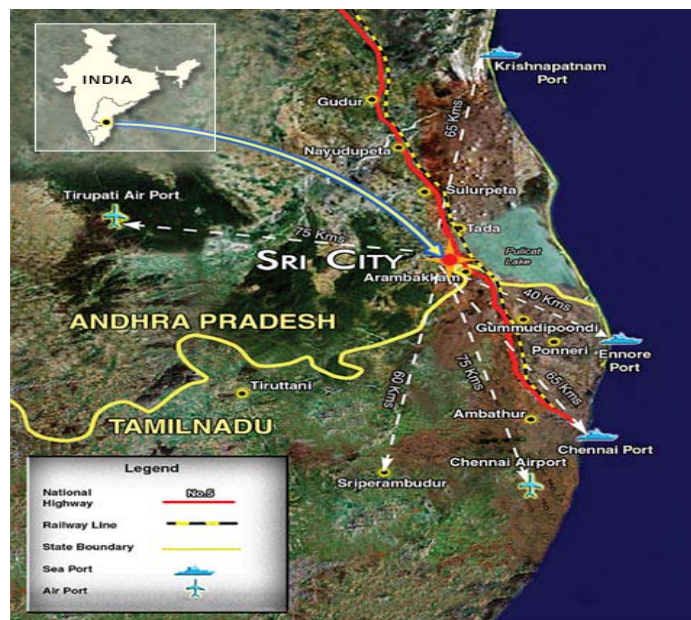
Similarly, Visakhapatnam Pharma City with its natural Harbour, airport had become a choice for SEZ establishment.

Chart 6
JAWAHARLAL NEHRU PHARMA CITY – LAYOUT PLAN (Visakhapatnam)



Chittoor is another district identified for a multi product SEZ on th4e NH5 near Tada and an Industrial Park by APIIC, as it is transforming itself in to a World-Class Business area, setting new benchmarks in the infrastructure domain. Located on the National Highway close to the commercial and industrial hub of Chennai, adjacent to domestic tariff area, the SRI City SEZ is well connected by rail and road and is in close proximity to three major ports and two international airports. This strategic location of a domestic tariff area within Sri City offers the units an easy access to ancillary suppliers, enabling efficient supply chain management. These well established linkages present the benefit of shorter turn-around cycles and maximization of productivity to all the units in the SEZ.

Chart 7: Location Map of Sri City SEZ- in AP adjoining T.N. border



Common boundary with the Industrial estate of SIPCOT, a State Industrial Development agency of Tamil Nadu adjoining the Gummidipundi from TADA in Andhra Pradesh has a great scope for specific sector that offers high growth opportunities. Closer proximity to Chennai at a distance of 65 k.m. and access to the Chennai Port and Airport has become a destiny for the SEZ. SRI City has also other two sea ports at Krishnapatnam in A.P and Ennore in Tamil Nadu for shipments of cargo manufactured for export market. Moreover, the land area on which SEZ has been built upon is located adjacent to the National Highway –NH-5 (Chennai to Kolkata) and

other side of the Highway is abutting, Pulicat lake (Salt Water). The lands are mostly barren with gravely soils. In addition to the physical connectivity, the location of Sri City SEZ has the advantage of easy access to the rich talent pool in Tamil Nadu and Andhra Pradesh, including skilled and semi-skilled workforce. There are about 30 engineering and polytechnic colleges within a radius of 20 kms of Sri City. In the backdrop of maximizing economic opportunity, the State has identified Nellore's strategic location.(proximity to Chennai and Bangalore, readily-available infrastructure and vast land) for setting up of Apparel park.

2.11.3 Special Economic Zone Policy:

The Government of India enacted a Special Economic Zone Act for streamlining the development of SEZs in the country. The State Government would leverage the act for the advantage of SEZs in various parts of the state for balanced trade and commerce with liberal tax, fiscal and administrative regime.

Table 9: State-Wise Distribution of SEZs as on 4th August, 2009

| State | In-Principle approvals | Formal approvals | Notified SEZs | Functional SEZs |
|----------------|------------------------|------------------|---------------|-----------------|
| Andhra Pradesh | 4 | 103 | 68 | 17 |
| Tamil Nadu | 18 | 69 | 49 | 14 |
| Karnataka | 9 | 52 | 27 | 15 |
| Maharashtra | 36 | 111 | 55 | 13 |
| Gujarat | 11 | 50 | 27 | 5 |
| Uttar Pradesh | 5 | 34 | 16 | 4 |
| Total | 146 | 578 | 322 | 98 |

(Source: Ministry of Commerce and Industry)

The geographical spread of SEZs varies from state to state depending on the resource endowment of state, port and road connectivity, proactive and supportive policies of State government and above all entrepreneurial initiatives. Of all the states given above, Andhra Pradesh is ahead of others in securing support. Out of 322 notified SEZs, AP has the highest number (68) followed by Maharashtra (55) and Tamil Nadu (49). Even in terms of Functional SEZs AP is the forerunner which itself is a good indicator for rapid industrialization in the State. In fact, unlike other states, protests from some quarters relating to acquisition of land are far lesser in AP, probably this would have smoothened the implementation of the scheme easily. The State has duly recognized the significance of SEZs as the prime movers of growth and is attracting more of investments in the recent years. With further supportive measures there is

every hope that the industries will take off in the State. The most important being the State should have a separate SEZ Act.

A State Act can supersede any executive order, which can easily be struck down by a court of law. A State Act in consonance with Central Act will certainly bring more clarity and a statutory base for the State Government's to implement the provisions of SEZ Act.

Under the SEZ Act, the SEZ Development Authority constituted under the Act is empowered to secure planned development of the Special Economic Zones, to ensure the compliance of the approved master plan and approve the guiding principles from town planning and urban development standards are to be implemented by the developer. The State Act clearly specifies the Single Window Clearance and authorizes the Development Commissioner to exercise such powers of the State Government or a body subordinate to it, as may be specified by a Government Order.

For 2005-10, the present Government with the principal objective of providing an inviting industrial climate announced a more attractive package. The State conscious of the bountiful natural resource endowment, gas reserves, and abundant energy resources on the early horizon, embarked on development of the traditional high value industries like the textiles, leather, minerals and food processing through setting up of specific industrial parks and agro-processing zones in East Godavari, Vijayawada, Chittoor and enhancing opportunities for investors in the Special Export Zone in Visakhapatnam. These apart, the biotechnology policy and information technology policy are in place to give thrust to biotech industries, pharmaceuticals, electronic hardware in especially carved-out Parks and nanotechnology. The FAB city with a huge investment is reported to be on the anvil although several hurdles have to be crossed before realizing this dream investment. The natural gas reserves again seem to be pushing ahead the gas-based industries in the coastal belt of the State although at the present juncture, lack of/inadequate gas supply led to gas based power plants capable of generating 1450mw a non-starter.

2.12 Foreign Direct Investment:

The state's rigorous attempt to attract FDI for the promotion of industries is quite applauding. The state accounts for about 7% of all new investments in the country and ranks fourth in terms of attracting FDI (CMIE 2009). However the amount of FDI Equity inflows in Maharashtra and UP is far higher than AP. At all India level, of all the sectors, the services sector has a dominant share in total flows followed by IT and telecommunications. Recognizing the importance of SEZs for rapid economic growth, the government is rigorously making efforts for their promotion in the state particularly the sector specific SEZs to attract large-scale FDIs. "The expectation of the government now is that the State would attract investments to the tune of Rs.38,671 crores creating an employment potential of 1,30,458 in the next two years thus giving a boost to the potential sectors viz., cement, steel, paper, bulk drugs, pharmaceuticals and textile industries besides the IT sector. According to the RBI Report (August 2007), Andhra Pradesh is the second highest State after Maharashtra in attracting overall investments constituting about Rs.25,173 crores during 2006-07. In the last three- and-a- half years, Rs.12,350 crore worth of investments in the manufacturing sector was commissioned creating employment for 1,72,616." (Business Standard 9th November, 2009).

The potential hubs for investment in AP are Pharmaceuticals and Biotechnology sectors. Besides these two, tourism is another sector which has good potential in attracting higher investments.

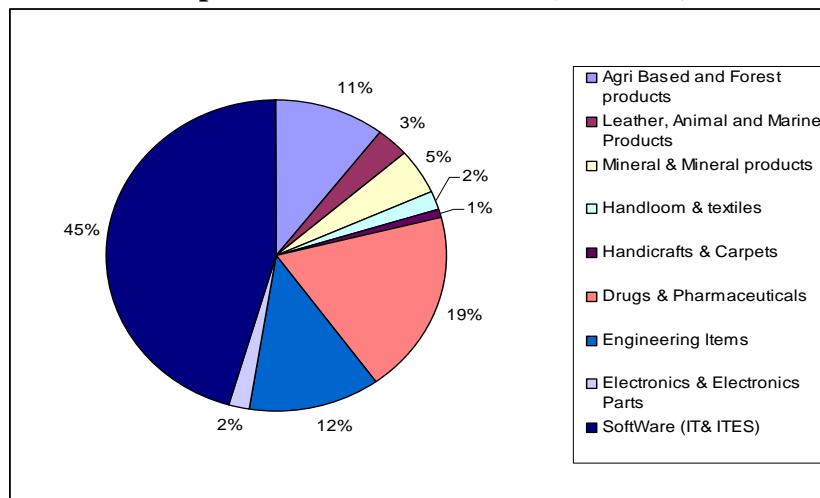
**Table 10: State-wise FDI Equity Inflows (From April 2000 to July 2009)
(Rs.crores)**

| | |
|--|-----------|
| Maharashtra, Dadra & Nagar Haveli, Daman & Diu | 149411.59 |
| Delhi, Part of UP & Haryana | 74695.95 |
| Karnataka | 27274.34 |
| Gujarat | 26061.78 |
| Tamil Nadu | 22524.23 |
| Andhra Pradesh | 17320.64 |
| West Bengal, Sikkim, Andaman & Nicobar Islands | 5459.76 |
| Rajasthan | 2107.44 |

Table 11: Sectors Attracting Highest FDI Equity Inflows in India:

| Sector | 2006-07 (April-March) | 2007-08 (April-March) | 2008-09 (April-March) | 2009-10 (April-July 2009) | Cumulative Inflows (April '00 to July'09) | %age to total Inflows (in terms of rupees) |
|---|--------------------------|--------------------------|--------------------------|------------------------------|--|---|
| Services Sector (financial & non-financial) | 21047 | 26.589 | 28411 | 10432 | 94885 | 23% |
| Computer Software & Hardware | 11786 | 5623 | 7329 | 1361 | 40857 | 10% |
| Telecommunications (radio paging, cellular mobile, basic telephone services) | 2155 | 5103 | 11727 | 4897 | 33264 | 8% |
| Housing & Real Estate | 2121 | 8749 | 12621 | 6892 | 30675 | 7% |
| Construction Activities (including roads & highways) | 4424 | 6989 | 8792 | 3781 | 25958 | 6% |
| Power | 713 | 3875 | 4382 | 3295 | 17306 | 4% |
| Automobile Industry | 1254 | 2697 | 5212 | 1691 | 16758 | 4% |
| Metallurgical Industries | 7866 | 4686 | 4157 | 384 | 11889 | 3% |
| Petroleum & Natural Gas | 401 | 5729 | 1931 | 970 | 11147 | 3% |
| Chemicals | 930 | 920 | 3427 | 460 | 10027 | 2% |

Chart 8: Exports in Andhra Pradesh (In crores) 2007-08



Source: Socio Economic Survey 2008-09, Government

The current foreign Investment regime in India operates on “negative list philosophy.” The following sectoral caps up to 100% FDI apply:

- Green field Projects, Alcohol Distillation and Brewing, Cigarette Manufacturing, Coal & Lignite mining, Coffee & Rubber processing and warehousing, Construction & Development projects –Housing, commercial premises, resorts, educational institutions, Courier services, Floriculture & Horticulture, Mining covering precious metals and stones, Non-Banking Finance companies, Petroleum and Natural Gas sector, Power Generation (except Atomic Energy), ISP and SEZs.
- 51% on single brand retailing
- 49% on asset reconstruction companies: three broadcasting sub sectors including cable network; and companies investing in infrastructure and services except telecommunications
- 26% on up linking a news and current affairs TV channel; defense production; insurance; public sector refineries; air transport services (100% for non-resident Indians) ; and publishing of newspapers and periodicals dealing with news and current affairs.

The State has 3263 large and medium industries with an investment of Rs.45302 crores employing 8,33,889 persons at the end of March 2006. 27 mega units with an investment of Rs.8151crores have gone into production and 63 more are in various stages of implementation. Between 1991 and 2004 foreign equity of Rs.4110crores for 307 industries had come in through the FDI route. It is obvious that such progress would not have been possible but for the investment incentives that the state government has provided and the facilitation extended in the form of 20 percent of investment subsidy on land building, plant and machinery up to a maximum of Rs.20lakhs with 50 percent of it in cash up to Rs.10lakhs; the balance to be granted for import of new machinery, training of entrepreneurs and workers, testing and certification within the stipulated ceilings. Exemptions for payment of NALA tax; dispensing the need for securing permission for use of agricultural land for non-agricultural purposes; sharing the cost of infrastructure; special exemptions for the SC, ST categories of beneficiaries etc (2000-05).

2.13 Single Window Clearance:

The State has enacted Single Window legislation (2002), the first to do so in the country, providing for all clearances for setting up industries to be given within the notified period. The system came into force to ensure clearances from various departments viz., Inspectorate of Factories, Inspectorate of Boilers, Electrical Inspectorate, Panchayat/Municipality/HUDA, Fire services, Chief Controller of Explosives, Pollution Board etc. Excepting the clearance from Pollution Board, all others are expected to be taken up through this system. In case any approval/response is not given within 30 days it will be deemed as approved. However, objections are being raised for clarifications. In this process, the applicant has to pursue individually with all the authorities giving approvals to satisfy them suitably before the Single Window Clearance System can give their final clearance. *Thus in many cases the 'Single Window Clearance' has in reality become one more delaying factor i.e. one more window. As a reason many investors opine that the system needs revamping making necessary modifications.* It is now expected that all the concerned authorities should assemble in a meeting at one time and expedite the approvals within a certain time limit of two weeks unless the applicant seeks more time to answer the queries/furnish additional information. The objections raised by any department should be considered by the members of the Committee instead of the officials of each department separately and the Board's decision in this regard shall be final.

2.14 Potential sectors:

Prominent industries found in the state are - agro based, leather and leather products, textiles, engineering, pharma and ITES. These industries continue to grow well and offer good export opportunities.

Leather Industry:

The State is a major producer of hides and skins constituting around 10 percent of the country's output. Production of processed hides and skins totals 40 Million sq.ft every year from 34 large and medium tanneries. There are also 15 leather goods and footwear manufacturing units in the large and medium scale sector throwing an ample scope for skill enhancement and capacity building to the targeted artisan and worker groups.

Apparel and Textiles:

Andhra Pradesh is a leading producer of cotton, with an annual average production base of about 2.6 million bales. Medium grade and superior long staple varieties of cotton are predominant in the State. There are over 80 spinning mills including a number of 100 percent export-oriented units with state-of the-art machinery, producing cotton, synthetic and blended yarns. Having 1079 weaving units producing about 789 million tonnes of fabric, the State is now recognized as one of the largest textile processing centres. Apparels, fabrics and furnishings have been identified as growth potential products generating larges scale to the rural youth and the government is quite optimistic in achieving US \$2.04 billion from handloom and textile exports.

Engineering:

Engineering is another potential industry producing a range of intermediate and final goods such as foundry and forging items, equipment and components, testing machines, material handling equipment and components for defence production. Many global players like Tecumseh, BPL, Electrolux among others have established their manufacturing facilities in the State. Automobile sector is one of the emerging sectors in the state with more than 20 auto-component manufacturing companies. Mahindra & Mahindra has a modern facility at Zaheerabad with a capacity of over 10,000 units per annum.

Information Technology:

Growth of the IT sector in AP has outperformed the national average in the last three years. In 2006-07, the growth rate was 48.4 per cent against the national average of 32 percent. During 2006-07, about 1400 information and communication technology (ICT) companies made a total investment of US\$ 1.95 billion in the State. The State is fourth largest in terms of revenues with IT exports crossing US\$4.65 billion, which is 15 percent of India's IT/Software exports.

“The major export destinations are US and Europe. Andhra Pradesh is one of the largest exporters of software services and ITES and it accounts for 45% of total state exports. It is estimated that 75% of chilli exports, 57% of turmeric and 5% of other spices like tamarind and coriander are contributed by Andhra Pradesh. In Pharma, State accounts for more than one-third of India's total bulk drug production. A major share of the bulk drugs produced by State based

companies find their way to foreign markets, resulting in high export turnover from the segment².

2.15 Research Support:

Andhra Pradesh is home to many internationally reputed research organizations, which include Indian Institute of Chemical Technology, Centre for Cellular and Molecular Biology, National Institute of DNA Fingerprinting, National Institute of Nutrition, Central University etc.

Research and Development:

In fact, there is a conscious effort by the government to encourage private sector participation in improving R&D infrastructure. Many leading companies viz., Hyderabad Bio-cluster with involvement of private entrepreneurs, Lucent technologies in the telecom sector, Aurobindo Pharmaceuticals in pharma sector etc have set up their facilities because of proactive state policies.

2.16 Skills Enhancement for better employability:

Human Resources Development is one of the main drivers of growth. Our experience shows that there is qualitative demand-supply mismatch resulting in shortage in the industry along with simultaneous unemployment / under-employment.

There is a growing demand for skilled labor on one side and unequal opportunities on the other hand with some communities dependent on traditional occupations denied employment opportunities since they could not keep pace with changing technologies. While, it is firmly believed that education would bring in equality of opportunity and create access to jobs for the poor the reality is different. Formal education and skills availabilities do not necessarily go together. Recently IIE's study on "SEZs and their impact on farming community" brought on that the dynamics of market forces in the SEZs of AP & TN led to a social transformation with the skilled from the vulnerable class gaining entry into manufacturing and service sector jobs. Therefore various initiatives of training and upgrading of knowledge and skills of the underprivileged in tune with the market demands and general business sense will help them in availing emerging employment opportunities.

² Background paper for seminar on Managing Exports in a Challenging Economy by CYGNUS Business Consultancy and Research Pvt. LTD for CII, AP, July 30th 2009.

2.17 Man power requirements:

During the last five years, the number of colleges particularly the professional colleges has been increasing in the State and is given below:

Table 12: Educational and Professional Institutions in A.P.

| College/Institution | 2004 | 2009 |
|----------------------------|-------------|-------------|
| Engineering | 236 | 540 |
| MBA | 207 | 498 |
| MCA | 271 | 698 |
| Bed | 304 | 607 |
| Pharmacy | 45 | 256 |
| Junior | 2150 | 3170 |
| Degree | 1248 | 1874 |
| ITI | 471 | 574 |

In the year 2009-10, about 120 new engineering colleges were sanctioned and added. Even though, the number of colleges is increasing, the quality of several institutions is not up to the mark as several posts of teaching staff could not be filled up for want of suitable candidates. The infrastructure available in some institutions is also not adequate.

2.17.1 Specialized Industry specific Training in it is:

In gujarath state 40 ITIs have been adopted by renowned Industry partners under PPP mode; in addition to 18 specialized Industry specific Training in ITIs, by agencies like L & T Ltd, Toyota Kirloskar, L.G. Electronics, AB Shipyard etc. Industries like Tata chemicals, Suzlon Energy, Hindustan Lever etc have adopted the ITIs under public private partnership similar exercise should be started in A.P. Placement Advisory Bureau and Placement Cells shall be set up in all ITIs.

3. Industrial Policy (2005-2010):

Identifying the competitive spirit and comparative strength of the State, the government of AP has introduced New Industrial Policy (2005-2010) to drive industrial growth by clearly spelling out various components for incentives viz., supply of quality power, improved infrastructure facilities etc. Series of measures have been proposed by the government mainly to speed up the pace of industrial development in the state by removing the existing barriers; and creating congenial and hassle-free investment climate and also to boost investor confidence.

3.1 Objectives of the Industrial Policy (2005-10)

- Promote Andhra Pradesh as an attractive destination for industrial investments
- To market Andhra Pradesh as competitive investment destination for Foreign Investments
- To create enabling environment for ensuring maximum value addition to the abundant locally available resources
- To enhance quality of life in the State to suit to the needs of the investors
- To attract and develop appropriate entrepreneurial leadership, management and HRD systems
- Alleviate regional disparities in economic growth
- Improving infrastructure by facilitating investment in industrial infrastructure in private sector.
- To encourage establishment of New Tiny and Small Scale Industries particularly in rural areas to achieve the twin objectives of employment generation and utilization of local resources
- To encourage, attract and involve women entrepreneurs in industrial capacity building
- To withstand global competition, Special Emphasis on qualitative competitiveness through Technology up gradation and protecting Intellectual Property Rights
- To arrest environmental degradation
- Encourage cluster concept to make the industries in the Clusters Globally Competitive
- To develop effective regulatory mechanism for entry and operation of firms
- Create a market driven environment with the private sector being the primary engine of growth industrial Infrastructure Development Fund aerated to provide infrastructure to industry.
- Special Emphasis for restructuring and consolidation of sick industrial units

An attempt has been made to compare the incentives offered across four states viz., Andhra Pradesh, Tamil Nadu, Gujarat and Maharashtra which enables us in proposing appropriate policy measures for the forthcoming industrial policy.

(See Annexure 2). (The Tabular Format is given in excel sheet)

New Industrial Policy

With the initiation of a comprehensive industrial policy (2005-2010) in tune with the changing dynamics of the economy, Andhra Pradesh has certainly achieved the cost competitiveness and more than expected, many sectors are rising to meet the challenges. Nevertheless, a periodical policy review every five years is essential to enunciate appropriate policy measures and have smooth flow of investments to the very needy industries.

4.1 Role of FAPCCI:

For this purpose, the Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI) the State level apex body of Industry and Commerce acts as a think tank for industrial initiatives and periodic policy review. Mainly FAPCCI aims to promote and protect the interests of trade, commerce and industry in AP. It plays a key role in promoting, supporting or opposing legislation affecting the interests of industry and trade by the Government or local body/bodies and in general, to take the initiative to secure the welfare of the business community in all respects. To be precise, FAPCCI represents industry to Government on various policy matters and provides advisory services on industry related matters.

As the present policy will come to an end in a couple of months, FAPCCI has formed an IDC Sub-Group on Industrial Policy and initiated series of meetings with all the stakeholders, industrialists, academicians and other policymakers to identify the areas of concern emerging as a sequel to the existing policy carried so far and to take appropriate corrective and curative measures in the forthcoming Industrial policy (2010-2015).

4.2 Drawbacks of the Existing policy:

Identifying the importance of infrastructure development that holds key in promoting industrial development, the State has rightly created a fund named IIDF investing about 100 crs. However, the present scenario spells out that these investments are not adequate and there is a need for far higher level of investments towards infrastructure development. Further, 10% of the IIDF was decided to spend on technology development cluster and Market support systems for the SSI and Tiny sector. This is set on rolls but no action seems to be taken seriously.

As far as power generation is concerned, the government has only partially succeeded in providing dedicated feeders and dedicated lines through APTRANSCO to all existing and proposed industrial areas and industrial clusters.

On the other side, the pattern of fiscal incentives is found to be very complex and cumbersome. Hence the industrial associations and other concerned members opines that the strategy of the government should be two pronged viz., 1) To change the existing mode of fiscal incentives and 2) Emphasize on infrastructure development in the State.

4.3 Proposition for AP's Forthcoming Industrial Policy (2010-2015):

(Suggestions are drafted keeping in view the best and vital Policy Features offered by Tamil Nadu, Gujarat, Maharashtra and Karnataka.)

4.3.1 Salient Features:

The salient features of the New Industrial Policy 2010-2015 could be as follows:

- I. It aims at increasing the percentage in GSDP growth, strengthen manufacturing industry and the labour intensive manufacturing sector in particular; increase share of exports from Andhra Pradesh in the National exports, to generate additional employment to at least 15.00 lakh persons in the manufacturing and service sectors, promote diversified industrial base; reduce regional imbalance in the matter of economic development and employment opportunities and ultimately aim at overall socio-economic development of the State.
- II. The strategies for further industrialisation of the State during the next five years include zoning with special emphasis on most/more backward districts for the purpose of industrial growth, develop in an integrated manner, industrial infrastructure in various key locations of the State ahead of the requirements, implement world class infrastructure for potential locations through public private partnerships; encourage specialised industrial infrastructure for specific sectors and SEZs, encourage development of industrial cluster/corridor and give priority to up gradation of infrastructure in existing and new industrial areas and to that effect strengthen the infrastructure Up gradation Fund promote Human Resource Development; promote Agro Food Processing Industry; take up technology up gradation for Survival and growth of SSI sector and create a

Technology Up gradation Initiative Fund; provide marketing assistance to SSI sector and promote local entrepreneurship etc.

4.3.2 Infrastructure Policy

Development of quality infrastructure for industrial growth through public participation shall be given highest priority. In line with this objective, the Government has constituted the Infrastructure Authority (IA) for the rapid development of physical and social infrastructure in the state and to attract private sector participation in the designing, financing, construction, operation and maintenance of infrastructure projects.

4.3.3 Industrial Townships:

- Government should contemplate for developing world class standard infrastructure which is a prerequisite for the Special Investment regions (SIRs) on a scale of 200 to 400 sq kms and Investment Regions (IRs) that synergize with Delhi-Mumbai industrial corridor (DMIC). A separate act can be brought into force in AP for the development of such regions like coastal corridor.
- The Proposed industrial townships having a qualitative infrastructure shall also be provided with all Social Infrastructure having adequate number of schools, Health care centres and all other requirements of a new township like housing, community centres, Banks, Police stations, Post offices and other social infrastructure depending on the anticipated population for the next 30 years. A clear-cut industrial infrastructure development plans inclusive of social infrastructure (as in the case of large scale PSUs) should be part of such development plan. Such plans shall also include the requirements for the industrial workers but also the subsidiaries and the increase of population in view of indirect employment generated because of the industry.

The Government provides all the recognized industrial areas with facilities such as roads, electricity, water, drainage etc. In addition, allied infrastructure such as uninterrupted power supply, telecommunication facilities including Internet connectivity and information kiosks, transportation links from industrial areas to towns have also to be planned. The infrastructure needs of the Industry like power, water & road network, drainage and sewer treatment for the

next 25-50 years shall be assessed and a plan of action may be worked out so that any industry in A.P shall not face any infrastructural deficiencies in future.

- The Government besides creating quality infrastructure is laying emphasis on creation and maintenance of critical infrastructure required in the industrial estates. Ongoing schemes like Industrial Infrastructure Development Fund (NDF) and Critical Infrastructure Balancing Fund (CIBF) are to be continued.

4.4 Incentives to Industry:

In order to address the specific problems of existing large industries, the Government may offer a special package of fiscal benefits on a case-to-case basis. Exact fiscal benefits would be decided by State Investment Promotion Board (SIPB) from time to time depending on the nature of the project, investment, location, employment etc. An Industrial Promotion Fund with adequate provision will be created for this purpose. Guidelines and modalities for operating the fund will be decided by the SIPB.

4.4.1 Exemptions instead of reimbursements:

- Incentives offered as reimbursement in AP must be substituted with the exemptions/rebates and subsidies
- Instead of 100% reimbursement on Stamp duty, Transfer duty etc paid by the industry on the deeds executed for lease of land, securing loans, advances, mortgages etc, these shall be exemptions as in the case of the policies of other states. This will facilitate the industrialists in order to avoid first pay and later go round the offices to get the reimbursements. Similarly reimbursements of 25% of land costs limited to Rs. 5 lakhs also has to be modified as industrial subsidy or as an exemption at initial stage.

4.4.2 Incentives for Land and Infrastructure:

- In addition to 25% rebate on land cost for IEs/IDAs, 20% infrastructure subsidy to a maximum of Rs.1 crore per estate needs to be provided.
- Land required for industrial units must be given only on lease for 33 years by the government. After completion of the lease period, if the industry wants to takeover the land, may be reviewed by the government.

4.4.3 Power:

The state government is committed to provide adequate and quality power to the industry. The present installed generation capacity is 12, MWs and the state government proposes to add. The required power needs of the industry and other domestic purpose, according to a perspective plan worked out for the next 30 years, to ensure uninterrupted supply of power to the industry in future. Government shall facilitate private sector investment in generation of power to the extent necessary. The following incentives for power supply to industry will be applicable.

- The present provision of reimbursement of power costs @ Rs. 0.75 per Unit, during the first year and for the remaining four years the rate of reimbursement to be regulated on yearly basis. This must be converted into initial exemption of 20% power tariff for a period of three years, as in the case of Tamilnadu
- Implementation of Maharashtra's policy of complete exemption of electricity duty on industrial units by dispensing with the present policy of AP's- reimbursement of power costs @ 0.75 per unit for one year.
- The amount available with the Industries Department towards power subsidy must be reimbursed to the Energy Department. If there is any shortfall in the budget allocation, it is to be reflected in the revised estimates of yearly budget and reimbursed.
- Incentives to be given for co-generation of power and feeding into the grid.
- All the Industrial Estates must be exempted from statutory power cuts, restrictions of peak load hours and weekly loads shedding. The units should be charged on their actual consumption.
- Industries should come out with a perspective plan on the power requirement in the state for the next 50 years. Similar exercise needs to be done by the government to generate required power through commissioning appropriate power projects. This would ensure uninterrupted power through out the year in future.

4.4.4 Incentives on Capital Investments:

- Propose for either 15% capital subsidy to units located in backward areas or reimbursement of expenses incurred on ESI & EPF in low HDI districts employing at least 75% of localities.
- Proposal for integration of subsidy scheme for the set up of agro based units with capital subsidy scheme in the backward areas
- Provision for clear cut fiscal incentives (Growth Enabling incentives) for large industries.

- A special incentive by way of 25% of the capital investment for setting up of Common Effluent Treatment Plant jointly by a group of units having the similar effluent subject to a maximum of Rs.20.00 lakhs
- Besides capital subsidy, the expanded units must be given infrastructure subsidy of Rs.2 crs for projects involving investment of Rs.300 crores in 3 years.
- Subsidy for pollution Control devices for existing units
- Provision for Venture Capital Assistance for MSMEs up to Rs. 10 crores and industrial promotion subsidy equivalent to 25% of any relevant tax.
- 100% Exemption from VAT for the first six years and the additional incentives for specific clusters must be provided.
- Provision for 5% employment intensive subsidy subject to a maximum of Rs.5 lakhs.
- Industrial units in existence for more than 10 years should be given extra benefits for expansion over and above the normal structural package of incentives but there should be a clear cut bifurcation of units.

4.4.5 Special Capital Incentives for SSI/SME Units

SME sector is the backbone of state industry and provides huge employment opportunities. It needs to be strengthened to make it more competitive and vibrant. Necessary support shall be extended through interest subsidy, skills development and quality certification. Necessary support needs to be provided for ancillary and auxiliary industries. In order to reduce the financial burden for setting up of new micro and small enterprises including food processing industries, the government introduced a new interest subsidy scheme called “Pavala Vaddi” in which it is mentioned that the reimbursable interest on term loan is that portion which is in excess of 3% per annum, subject to a maximum reimbursement of 9% per annum. Further, the interest amount paid by the new eligible micro and small enterprises to the Financial Institutions/Banks on the term loan availed will be reimbursed with a maximum limit of 9% on half yearly basis through the concerned Financial institutions/Banks. Benefit will be available for a period of 5 years from the date of commencement of commercial production i.e. upto the 1st half of 5th year or till the closure of the term loan account, whichever is earlier.

- The state government shall continue to accord priority towards cluster development of SMEs all over the state basing on the strength and potential for such clusters spread in the entire state.
- Provision for special incentives for setting up of mini industrial units in private sector.
- SMEs must be catered with appropriate technology for expanding domestic markets.
- Provision for exempting the interest amount paid by new Micro and Small enterprises on term loan subject to a maximum of Rs.5.00 lakhs per year for a period of 5 years to SMEs instead of reimbursing under Pavala vaddi scheme and ensures this subsidy is claimed as exemption through banks.
- A New SSI Unit whose investment is within the ceiling prescribed for SSI, may be entitled to Special Capital Incentive at the rates indicated below:

| Area (Group) | Quantum as % of Fixed Capital Investment | Ceiling (Rs.lakhs) |
|----------------------|---|---------------------------|
| C | 20 | 10 |
| D | 30 | 20 |
| D+ | 35 | 25 |
| No Industry District | 40 | 35 |

Note: A = Highly Developed, B = Well Developed, C = Moderately Developed, D = Less Developed and D+ = Least Developed Area

Interest subsidy to new textiles, hosiery and knitwear industrial units under SSI sector:

- New textile, readymade garments, hosiery and knitwear Units in the SSI Sector may be entitled to subsidy on the interest actually paid by the Unit to the financial institutions / banks on the term loan/s for creating fixed capital assets.
- The amount of interest subsidy will be equal to the amount of interest payable by the unit at the rate of 5% per annum, out of the interest actually paid by the unit. The interest subsidy will not be applicable on the interest paid on defaulted installments.
- The maximum period of eligibility and the ceiling limit of interest subsidy applicable during the period of eligibility are as follows:

| Area Classification | Monetary ceiling (Rs.in lakhs) | Maximum period of eligibility (in Years) |
|----------------------|--------------------------------|--|
| C | 10 | 4 |
| D | 20 | 5 |
| D+ | 25 | 6 |
| No Industry District | 35 | 7 |

Note: A = Highly Developed, B = Well Developed, C = Moderately Developed, D = Less Developed and D+ = Least Developed Area

Refund of Octroi / Entry Tax in lieu of Octroi:

- Once the commercial production commences, the eligible unit must be entitled to refund of Octroi Duty/Entry Tax in lieu of Octroi admissible in the form of grant restricted to 100% of the admissible Fixed Capital Investment for a period of 5/7/9/12 years as per the development of the area. In respect of No Industry District areas, however, the period may be extended up to 15 years.
- In respect of 100% EOU or an Agro-industry Unit, the period shall commence from the date of first import.
- The Incentive will also be available to new Electronic Industrial Units holding IEM / LOI / SSI registration that will be located in MMR and PMR for 5 Years.

Exemption of Electricity Duty:

- An Eligible New Unit in C, D, and D+ areas and No-Industry District(s) must be exempted from payment of Electricity Duty for a period of 15 years. In other parts of the State, 100% Export Oriented Units (EOUs), Information Technology (IT) and Bio-Technology (BT) units, and industries setting up in Special Economic Zones (SEZs) and in Electronic Hardware Technology Parks may be exempted from payment of Electricity Duty for a period of 10 years.

4.4.6 Incentives for Handicraft Industry:

Handicrafts industry faces extinction in view of staff completion of mechanized and Chinese good, unless special care is not taken to protect them.

- Allocation of sufficient funds by the government to boost the sector
- Abolition of sales tax/VAT on handicrafts

- Provision for adequate supply of raw material through the State Forest Department at subsidized rates for wood based crafts/opening of raw material Depots
- Effective implementation of integrated development of craft clusters under AHVY Scheme
- Provide credit to the handicraft industry through NABARD/Banks and other financial institutions.
- Set up a separate Ministry/Department for the development of handicrafts sector at the State level

4.4.7 Incentives for Food and Agro based industries:

The rural employment and reduce rural poverty in the long run A.P. has a high potential to improve Agro industry being major agriculture and horticulture products. Agro Industry will help in increasing.

A long term policy for modernizing agro industry aiming to kick start organized activity into rural regions should be announced. Agro industry will create higher incomes, export earnings and employment in rural areas, thus stemming migration to cities. Necessary infrastructure facility and an area specific development plan may be chalked out for A.P. The following specific incentives need to be announced:

- Horticulture crops being perishable in nature are subject to post harvest losses. Hence networking of Post harvest facilities from the production stage to the marketable and consumption stage is essential to reduce losses arising out of wastage. Agri Export Zones and Food Parks are the two important linkage points which helps in absorption of fruits and vegetables for further value addition. In AP, there are about 157 fruit and vegetable processing units mainly in the small and medium sector. However, lack of adequate number of grading, packing and cold storage facilities is posing a great threat to the survival of the products. Therefore the government should immediately announce special incentives to those units who are willing to establish grading and cold storage nearer to the farms as grading is presently done at processing units involving lot of expenditure and wastage.
- The aggregate interest subsidy on capital equipments should be given up to a maximum limit of Rs.400 lakhs.
- Interest subsidy of 5% on working capital must be extended to first five years instead of one year.
- Assistance in the preparation of pre-feasibility studies through State Infrastructure Development Board
- Allotment of government land on long lease basis at reasonable rates for setting up of mini processing units near the farms.

- Encouragement of agro processing industries to enter contract farming either through group of farmers, value added centres, agro service centres or cooperatives and for facilitating this arrangement the govt. must propose for sanction of agricultural subsidy to the farmers.
- Food testing laboratories would be developed to facilitate production of quality food processed products.
- To establish infrastructure like better cold storage facilities improve network from the rural areas connecting villages/mandals having larger production of horticulture and population corps.
- Special incentives may be given to those industries investors who will set up grading and cold storage facilities near to the farm yards or market yards in the districts.
- The Government must pro-actively promote global positioning the industry by creating brand for agro products and participating in international exhibitions.
- Grant of subsidy for branding the agro products
- Removal of agro products from the negative product list
- Encourage direct marketing, set up of private markets, farmer-consumer markets, and introduce single license system to boost competition and to reduce the number and role of intermediaries.

4.4.8 Incentives for Manufacturing Sector:

- Special incentive packages for **mega projects** with an investment of over Rs 100 crore must be put into action without any delay.
- Provision for various sales tax exemptions
- Octroi exemptions
- Reduction and exemptions of other taxes such as property tax
- Provision for other incentives such as export-based incentives
- Allowances for subsidized services like generating sets

4.4.9 Mining and Steel Industry:

- Depending on the characteristics, quality of ore size of the deposits and its location, the government should promote processing units and gain in the value addition process. While extraction of minerals can only result in revenue by way of royalty, establishment of manufacturing unit will widen the scope for employment and result in income by way of sales tax, Central Excise etc.

- In Andhra Pradesh, while Visakhapatnam has the main steel plant which is based on iron ore from Orissa and Madhya Pradesh, there is a good scope for secondary steel units like steel re rolling mills to cater to the market in Southern and Western parts of the country.
- Since the State is well connected to the North, Western and Eastern regions, more than fiscal incentives, provision for infrastructural support viz., power, water and road connectivity is more important.

4.4.10 IT Policy:

The state's pre-eminent role as a global software provider creates impetus and significant opportunities for the future. In order to capture the potential of the IT sector, the Government has announced an exclusive policy for the IT sector with an attractive package of incentive. In addition, the following incentives need to be mentioned in AP Industrial Policy:

- Financial assistance @50 percent of fixed capital investment in IT parks land, buildings and infrastructure facilities up to a maximum of R.250 lakhs.
- Exemption from payment of Stamp Duty @ 50% to IT/ITES units in the park.
- Exemption from Electricity duty to captive power units set up by eligible IT/New IT & ITES Units
- Consideration of IT/ITES units for exemption from power cuts.
- Permission for more than the permissible Floor Space Index (FSI) to IT parks subject of payment of premium of such additional FSI at market rate.
- Provision of self certification under Labour Laws.
- Promotion of Mega IT projects on case to case basis.
- Waiver of no objection certificate from AP Pollution Control Board.
- Permission to have 24/7 operations and women to work at night.
- Encourage the major soft ware companies to start a world standard Training Institute in I.T. sector on the lines started at Bangalore by the Infosys.

4.4.11 Biotech Policy:

A separate Directorate for Biotechnology needs to be created. The Government enacts a new Biotech Policy with attractive benefits soon after the announcement of the Government of India's Biotech Policy, to accelerate the growth of biotech industries in the state.

- Provision for lower tax rate under the value added tax (VAT) regime, twice the existing floor space index (FSI) for biotech units
- Exemption from stamp duty and registration fee for parks promoted by public bodies and 50 percent waive for private parks.
- 30 per cent of the fixed capital investment.

4.5 Role of APIDC: Access to Credit

Andhra Pradesh Industrial Development Corporation Limited (APIDC) was established on 16th December, 1960 , by the Government of Andhra Pradesh for planned development of medium and large industries in the State. Its main functions are to promote projects- generate & implement project ideas, equity participation, Venture capital for IT, biotechnology & sunrise industries and rehabilitation of sick industrial units. It has an authorised capital of Rs. 110 crore and paid up capital of Rs. 96.23 crore.

APIDC played a pivotal role in locating state of the art technologies and sophisticated equipment from countries like U.S.A, Japan, West Germany, U.K., Sweden, France, etc and catalyzed a total industrial investment of Rs.5430 crs in 792 industrial units in March 2007.

To give thrust to venture capital activities, the Corporation promoted the following Asset Management Companies for managing Venture Capital Fund.

- APIDC Venture Capital Fund (APIDC - VCL)
- Hyderabad Information Technology Venture Enterprises Limited (HITVEL)

Commercial intelligence relating to various industries is made available to prospective entrepreneurs. APIDC is associated with Organisations like FAPCCI, CII, AMIO, HMA in their specialised seminars and workshops which are beneficial for the entrepreneurs.

However, APIDC became dormant for sometime owing to lack of funds. Government of AP have now decided to revive the State owned APIDC by assigning a catalytic role being facilitator for small and Medium industries. The small scale units can access credit from Commercial Banks and from the Govt. under “Pavala Vaddi Scheme”. But it is desirable to revive as per the original objectives of APIDC to support medium and large industries, by raising its total outlay to the tune of Rs.1000 crores for providing financial assistance to the units in the form of direct

subscription and/or underwriting for equity, and for term loans and working capital. This should be widely publicized to attract entrepreneurs from all over the country.

- There is a need for quick processing of industrial Finance. The entire process of appraisal, sanction and disbursal should take no more than 2 to 4 weeks for SMEs and no more than a couple of months for the larger units.

4.6 Fostering Industry clusters

Clusters allow small local enterprises to make more effective use of underutilized resources (small scale savings or family labour) generating incomes that they cannot otherwise avail of while operating in isolation.

The Government of Andhra Pradesh has identified six industrial clusters for development under "Industrial Infrastructure Up-gradation 30 Scheme". Two clusters, namely, Pharma Cluster near Hyderabad and Auto Components Cluster in Vijayawada have already been approved by the Government of India for assistance and these are in the process of development.

The other four clusters, namely, Marine Food Processing Cluster in Bheemavaram, Powerloom Cluster in Sircilla, Leather Cluster in Hyderabad and Precision Engineering Tools and Components in Ranga Reddy are under consideration by the Government of India. Apart from the above, fourteen more clusters are in the process of development under the assistance of the Development Commissioner Small Scale Industry (DCSSI). The individual units in the clusters are eligible for the general incentives offered by the Government under the policy. Apart from this, clusters are also eligible for a special package of incentives for which the State Government has created a fund under the cluster development programme.

- Provision for specific package for cluster development. Either specific incentives in the form of assistance @ 80% with a ceiling of Rs.10 crores per cluster for a period of 3 to 5 years and partial assistance under the critical infrastructure scheme or benefit of entitlement to the IPS if the units are set up in C,D,D+ areas which ever is feasible must be implemented.

4.7 Single Window Clearance System

- The concerned authorities from all the departments should assemble in a meeting at one time for giving final clearance and expedite the approvals within a certain time limit of two weeks from the time of submission of application unless the applicant seeks more time to answer the queries/furnish additional information.
- An online application form to set up new industry may be allowed with controls at the initial stage of application online on important pre-requisites (on the lines of passport application). In the regard the online application models can be designed on the lines of ASEAN countries.
- The objections raised by any department should be considered by the members of the Committee instead of the officials of each department separately and the Board's decision in this regard shall be final.

4.8. Export Promotion

A.P. has the largest number of SEZs approved the major objective is to improve the exports and generate more employment while selecting the export oriented industries. SEZs, emphasis may be given to labour intensive manufacturing units like, apparel parks, gems & Jewellery Leather goods Infrastructure units, Auto sector and food processing for generating more employment instead of the existing IT/pharme sector.

Export plays a major role in the industrial and economic development. In order to boost exports, the State Government is offering a special package of incentives to Export Oriented Units (EOUs).

- Sales tax exemption on purchase of raw materials for EOUs
- Andhra Pradesh State Financial Corporation (APSFC) will extend financial assistance to EOUs at concessional interest rates
- Export industries will be given a 30 per cent grant for ground rent for participation in the international trade fairs, subject to a maximum limit of 9 sq mt.
- To sensitize exporters, programmes will be conducted with the assistance of EAN India and SISI on bar-coding
- Export awards will be provided to EOUs to recognise best performing units with respect to quality, R.&D and performance

- A state-of-the-art external information centre to be set up in collaboration with local chambers of commerce and associations and reputed organisations for dissemination of information and assistance to the export fraternity of the state.

4.9 State Policies for SEZs:

Andhra Pradesh government must enact a State SEZ Act on the lines of Gujarat and Haryana while keeping the following provisions in the AP industrial Policy:

- Emphasis to be given to labour intensive manufacturing units that good generate more employment.
- To check unplanned expansion of urban agglomeration and Town and Country planning in sub-urban and rural areas need to be regularized with appropriate planning and regular extension of the jurisdiction of municipal ad other local bodies.
- There should not be any acquisition of village sites for industrial purposes thus ensuring no reallocation and rehabilitation of the entire village to a different location. Instead, the village can be retained as part of Industrial Township utilizing its man power and equipping the youth with appropriate training skills so that the benefits of industrialization in the form of better employment opportunities and enhancement of site value etc will be enjoyed by the locals.
- Under a separate State Act, the SEZ Development Authority constituted will empower the authority to secure planned development of the Special Economic Zones to ensure compliance of the approved master plan and approve the guiding principles of town planning and urban development standards to be implemented by the developer.

The following other necessary fiscal incentives needs to be provided:

- Exemption of all state and local taxes and levies for transactions with the SEZ and for supply from domestic tariff areas to the SEZ
- Exemption from stamp duty and registration fees
- Grant of labor and environment related permits and approvals through a dedicated single window mechanism
- Permission to generate electricity for own consumption
- Expeditious process for land acquisition to set up SEZs
- Transference of duties and functions conferred on the Commissioner of Labor to the Development Commissioner of the Zone

- The unit which intends to set up captive power plant in the Zone must be exempted from payment of electricity duty for a period of ten years.
- The stamp duty and registration fee payable on transfer of land in the Zone has to be exempted and there would be no registration fee or stamp duty leviable on loan agreement, credit deeds, mortgages executed by the unit in the processing area of Zone.
- The sales tax, purchase tax, motor spirit tax, luxury tax, entertainment tax and other taxes and cess payable on sales and transactions have also to be exempted.

The inputs made on Units from Domestic Tariff Area have also to be exempted from sales tax and other taxes under the State laws.

4.10 Intellectual Property Rights

Intellectual Property Rights like any other property right, allow the creator or owner of a patent, trademark or copyright to benefit from his own work or investment. To encourage industries for innovation in product development, 50 per cent of the expenditure incurred in obtaining the patent will be reimbursed to enable the industry to protect the invention. In order to encourage innovation, units having patents for products would be given purchase preference in all purchases made by government departments.

- Replacement of AP's policy of reimbursement of 50% expenditure on patent rights with 50% subsidy scheme subject to a max. of Rs.2 lakhs or Rs.5 lakhs along with additional assistance of Rs.25 lakhs.

4.11 E-Governance

The state has undertaken wide-ranging measures to nurture its industries: simplified, less restrictive regulations, labour and fiscal reforms, incentives etc. In line with this objective, the state has enacted a law for single-window clearances. It is the first state in the country to have a law for single-window clearances, which ensures that all clearances to investors are given within a specified period. The state has been qualified as "flexible" in its approach to labour regulations and "good" for its simplification of rules and regulations. It introduced the self-certification concept, common annual returns in place of multiple returns with simplified registers and zero inspection regime through accredited agencies.

4.12 Research & Development:

- Provision for R&D support up to 6% of the project cost.
- Financial support for conducting national and international trade fairs

4.13 Skills Up gradation:

- Mandatory provision of policy on skill development and training programmes. Instead of reimbursing 50% of the tuition fees, AP should grant 50% subsidy on the expenses incurred by the training centers for skill and infrastructure development.
- Educated unemployed youth needs to be covered under seed capital assistance scheme.
- The major Industries in the state to be encouraged to adopt or manage the ITIs and to start model ITIs for the needs of Industrial requirement.
- Provision for setting up of technology fund or group assistance by way of 50% grant subject to a maximum of Rs.1 crore per technology.

4.14 Technology up gradation

Technology is the key element contributing to productivity, quality, competitiveness and market acceptability of products. In a rapidly changing global scenario, technology and business incubators have emerged as useful instruments for innovation. To provide technological support to the local industries, the Government of Andhra Pradesh, promoted Andhra Pradesh Technology Development and Promotion Centre (APTDC) for transfer of technologies, providing technological know-how, commercialization of technologies, technology up gradation etc.

- Mismatch between the industry manpower requirement and the skills provided in the existing institutions shall be identified and appropriate skills development programmes shall be initiated.

4.15 Sick Industrial Units:

- Redress the industrial sickness by rescheduling arrears of government dues and electricity charges for a period of 5 years for repayment with concessional interest rate @ 7%. Besides, 50% subsidy towards diagnostic study and interest subsidy @ 5% p.a. subject to a max. of Rs.10 lakhs for three years on rehabilitation through banks/FIs needs to be provided.

4.16 Seinorrage Fees:

- The investor should be exempted from payment of Seinorrage fees to the Mines Department for leveling the uneven lands like cutting the land at one place and spreading the gravel to another place within the site premises.

4.17 Permissions/Licences:

- Systematization of labor inspections and introduction of joint annual inspections with prior intimation to industry
- The State has several agencies for giving out Plans/ Permissions /Licences for the premises and manufacturing plant. Of which, the Inspectorate of Factories does the most comprehensive scrutiny. However, due to the enactment of separate Acts, separate agencies have been created to give approvals, entailing an applicant to run round them. In the past, several representations were made by various industry organizations that there should be only one inspectorate to administer all the concerned Acts such as Factories Act, Electricity Act, Boilers Act, Pollution Control Act etc. The Inspectorate chosen can be designated as the authority to give approvals under the various Acts. This would save the applicant time, energy, harassment and avoidable duplication of work. However, if the Government wish to continue the practice of having to seek approvals from the different agencies as at present, at least the Inspectorate of Factories may be abolished as they only do all the work done severally by the others.³

³ B.G.Sastry (2006), “ Overall Industrial Status of AP- Present and Future”, Paper presented for the seminar on Showcasing A.P.: Steps Towards Rapid Industrialisation held on 2nd and 3rd June, 2006.

Annexure 1

PROJECTED POWER REQUIREMENTS OF AP TILL 2030

Assumptions

| | |
|---|------------|
| Present per capita power consumption: | 750 units |
| Present installed power capacity | 12500 MW |
| Per capita power consumption to be aimed at in 20 years | 5000 units |
| Rate of growth feasible | 10% |
| Standardised capacity of generators to be installed | 500 MW |

| Years | Projected per capita Consumption | Projected installed capacity (mw) | Projected yearly installed capacity increase (mw) | No. of 500mw generators reqd per yr (Projected) |
|---------|----------------------------------|-----------------------------------|---|---|
| 1 | 2 | 3 | 4 | 5 |
| 2009-10 | 750 | 12500 | - | - |
| 2010-11 | 825 | 13750 | 1250 | 3 |
| 2011-12 | 908 | 15125 | 1375 | 3 |
| 2012-13 | 998 | 16638 | 1513 | 3 |
| 2013-14 | 1098 | 18301 | 1664 | 3 |
| 2014-15 | 1208 | 20131 | 1830 | 4 |
| 2015-16 | 1329 | 22145 | 2013 | 4 |
| 2016-17 | 1462 | 24359 | 2214 | 4 |
| 2017-18 | 1608 | 26795 | 2436 | 5 |
| 2018-19 | 1768 | 29474 | 2679 | 5 |
| 2019-20 | 1945 | 32422 | 2947 | 6 |
| 2020-21 | 2140 | 35664 | 3242 | 6 |
| 2021-22 | 2354 | 39230 | 3566 | 7 |
| 2022-23 | 2589 | 43153 | 3923 | 8 |
| 2023-24 | 2848 | 47469 | 4315 | 9 |
| 2024-25 | 3133 | 52216 | 4747 | 9 |
| 2025-26 | 3446 | 57437 | 5222 | 10 |
| 2026-27 | 3791 | 63181 | 5744 | 11 |
| 2027-28 | 4170 | 69499 | 6318 | 13 |
| 2028-29 | 4587 | 76449 | 6950 | 14 |
| 2029-30 | 5046 | 84094 | 7645 | 15 |

Note: A 500 mw generator has to be commissioned every 4 months upto 2015. Likewise thereafter this can be worked out from items 4 & 5 above. Commissioning as above only will ensure achievement of the targets. Instead of 500 mw generators, some other size may be considered. What is important is to standardize a size as far as possible and place bulk orders for the required phased supply.

Annexure 2

A Comparative Analysis - Incentives offered by the State Government's of Andhra Pradesh, Tamil Nadu, Gujarat and Maharashtra in the Industrial Policy

(The Tabular Format is given in excel sheet)

Every State has been looking forward to provide competitive environment for industries and in achieving this goal, the State Government's tried to simplify the rules, lessen restrictive regulations and implement labor and fiscal reforms. A comparative statement of various incentives and other benefits given by these states is furnished in the Annexure.

1 Infrastructure Development:

In the first instance, infrastructure development has been given highest priority through PPP model. Major policy measures undertaken under this head are as follows:

1.1 Land:

- While 100% reimbursement of Stamp duty for all the units (Large/Medium/SSI/Tiny) was announced in Andhra Pradesh, it has been completely exempted in Maharashtra in the category of C, D, D+ taluks. Tamil Nadu government did not go in favour of reimbursement or exemptions but allocated 20% of land to SIPCOT Estates for micro, small and medium enterprises.
- 100% reimbursement of stamp duty for lease of lands/buildings for all units is practiced in AP, while Tamil Nadu has gone for 50% rebate on stamp duty.
- Financial deeds and mortgages got 100% reimbursement in AP, whereas in TN, the stamp duty is completely exempted on mortgaged and pledged documents.
- AP announced 25% rebate on the land cost for IEs/IDAs limited to Rs.5 lakhs, while in TN, the private estates received 20% **infrastructure subsidy to a maximum of Rs. 1 crore per estate.**
- Only in AP, the industrial units are exempted from Nala tax

1.2 Water:

- AP reserved 10% of water for industrial use and Gujarat reimburses 50% cost of cost incurred on energy/water audit subject to a limit of Rs.25,000
- Gujarat provides additional assistance of 20% of cost of equipment subject to maximum of Rs.10 lakhs per project.

1.3 Power:

- While AP reimbursing power cost @ Rs. 0.75 per unit for I year and regulating the rate for the remaining 4 years, the TN & Maharashtra industries are enjoying far higher privileges. In TN, there is a provision of 20% low tension power tariff for 36 months and the Maharashtra units are completely exempted from Electricity Duty.
- In AP, the feeders having more than 50% of industrial loads will be converted into industrial feeders

To meet the capital requirements of the industries, the states have clearly set out specific measures to improve the investment climate towards better regulation by removing hassles to competition.

2. Investment Subsidy:

- 15% Investment subsidy on fixed capital for SSI/Tiny industrial units subject to a maximum of Rs.15 lakhs in AP and Rs.3.75 lakhs in TN is in force, whereas Gujarat is providing Venture Capital Assistance for MSMEs up to Rs. 10 crores and Maharashtra announced industrial promotion subsidy equivalent to 25% of any Relevant tax paid by the eligible unit.
- AP provides additional investment subsidy of 5% on fixed capital investment limited to Rs.5 lakhs for SC/ST entrepreneurs. In contrast, Maharashtra industries having additional investment to the extent of 25% of Gross fixed capital investment receive 75% of incentives.

- Commercial tax of 25% in the first year to be ploughed back by government for payment for next year (for five years) in AP. On the other hand, TN provides 100% exemption of VAT for the first six years. In the case of Maharashtra, the SSI units in the industrial clusters in C.D,D+ areas get additional incentives.
- While TN provides 15% capital subsidy to units located in backward areas subject to a max. of Rs.30 lakhs, AP has no such provision. Again in Maharashtra, the units in low HDI districts employing at least 75% local persons get reimbursements on the expenses incurred on ESI & EPF under special incentive category.
- Women entrepreneurs and SC/ST people are eligible for 15% and 5% additional capital subsidy in AP. In TN, both categories have access to 5% subsidy. Maharashtra has no such incentives exclusively for these two categories.
- TN further extended the privilege by granting 5% employment intensive subsidy subject to a maximum of Rs. 5 lakhs if at least 25 workers are employed for a minimum period of 3 years.
- TN went still ahead and integrated the subsidy scheme for the set up of agro based units with capital subsidy scheme for backward areas. This is not the case in AP.

3. Credit:

- Seed capital assistance to SSI/Tiny units is provided only by two states viz., AP & Maharashtra. While in AP, 5% of the project cost is provided under the said scheme including units run by SC/ST, Maharashtra extended the scheme to educated unemployed youth by enhancing from the existing 10% to 22.5%.
- AP provides 3% interest rebate on PLR and women entrepreneurs get 5% subject to a maximum of Rs.5 lakhs per year. In the case of TN the units get 3% back-ended interest subsidy for technology up gradation subject to a ceiling of Rs. 10 lakhs per unit for 5 years. Similarly Gujarat announced 7% for micro units and 5% for SMEs.
- Gujarat provides 1% additional interest subsidy to youth having more than 35 years.

4. Technology Up gradation:

- In AP & Maharashtra, incentives for technology upgradation constitute just 8% & 5% of additional subsidy on capital equipment. While in TN, a special technology fund itself is created and the units receive an amount of Rs.50 lakhs per incubator/Centre of Excellence. In contrast, Gujarat has announced far higher incentives for technology up gradation. The state has provided group assistance by way of 50% grant subject to a maximum of Rs.1 crore per technology including royalty payments for first two years.
- Gujarat units have R&D support up to 6% of the project cost excluding land and building cost. The state has further provided 50% of project cost subject to a max. of Rs.50 lakhs for sponsored research.
- 50% subsidy for quality certification is applicable to all states with slight variations in the maximum limits
- TN additionally declared reimbursement of 50% of tuition fees for conducting short term courses

5. Export Promotion:

- Sales tax exemption on raw materials for EOUs and 30% grant for participating in the international trade fairs is noticed in AP.

6. Environment:

- Excepting Gujarat, the rest of the states provided 25% subsidy on specific leaner production measures subject to a maximum of Rs.5 lakhs and this limit is set to Rs.3 lakhs in TN.
- AP announced conversion of units having a capacity of Rs.100 crs or above into mega projects.

7. Growth Enabling Incentives:

- While AP announced Special fiscal benefits for existing large industries, TN made a provision for cluster development schemes under which common facility centres receive support at the rate of 25% of the project cost subject to a ceiling of Rs. 1 crore. Maharashtra took a different turn by proposing the notification of certain MIDC areas as Designated Areas which will be eligible to get all the benefits of SEZs except the fiscal benefits. It had also proposed to notify industrial areas across the state as industrial townships.

8. Foreign Direct Investment:

- AP is the only state that has set up an investment fund – AP Invest for timely clearance and assistance to units.

9. Access to Market:

- AP's industrial policy has not clearly set out the incentives for easy access to markets for the industrial units compared to others. There is a mention about reservations to SSI units and protection to non-local units but there is no mention about specific fiscal incentives.
- One the other side, TN announced 15% price preference for purchase of goods of micro and small enterprises. Also provided for waiver of Earnest Money Deposit and 50% grant on hall rent subject to a ceiling of Rs.5 lakhs per event in Chennai and Rs.1 lakh in districts.
- In similar, Gujarat announced specific fiscal measures to boost the sales of the units. 1) Assistance for packaging design @ 50% of the cost subject to maximum of Rs.2 lakhs once in a period of five years, 2) reimbursement of 50% of total rent subject to max. Rs.10 lakhs in international trade fair , 3) Viability Gap support to associations subject to a max. Rs.4 lakhs for international seminar and Rs.8 lakhs to exhibition in Gujarat and 4) Assistance for setting up of Convention/Trade Centre @ 50% of project cost up to Rs.5 Crores.

- Maharashtra proposed for setting up of Gram Udyog Asphalts one in every district to encourage khadi and village industry. Further proposed to establish World class international Exhibition centres at Mumbai and Pune through PPP model.

10. IPRs:

- While AP announced reimbursement of 50% of expenditure incurred for patent rights up to Rs.5 lakhs for SSI/Tiny units, TN and Gujarat announced 50% subsidy subject to a max of Rs.2 lakhs and Rs.10 lakhs respectively. Gujarat further enhanced the assistance to Rs.25 lakhs for international patents conditioning for five patents per unit over a 5 year period.

11. Cluster Development:

- Unlike AP that announced special package of incentives for individual units in the clusters with out specific details, Gujarat clearly spelt out the incentives viz., assistance @80% with a ceiling of Rs.10 crores per cluster for a period of 3 to 5 years. It has also announced partial assistance to the clusters under the scheme of critical infrastructure.
- Maharashtra announced that the units set up in C,D,D+ Areas would be entitled to the IPS –one step higher incentive category under clause 9.1 and Cooperarative industrial estates are eligible to one FSI as is applicable in MIDC areas.

12. Industrial Sickness:

- AP has not yet built monitoring mechanism for the identification of incipient sickness in industries. Rehabilitation policy is announced but no specific package is released so far.

- Though TN announced special rehabilitation package for sick units, there is no mention of actual amount of incentives going towards rehabilitation.
- Gujarat addressed the problem by duly providing series of schemes viz., a) grant of subsidy @50% on cost of diagnostic study by technical institution through FI/Bank/Govt. max. of Rs.1 lakh; b) Reimbursement of 50% advisory fees to the registered experts subject to a max. of Rs. 1 lakh and c) Interest subsidy @5% p.a. limited to Rs.10 lakhs per year for three years on additional finance on rehabilitation through Banks/FIs.
- Maharashtra has proposed to revive the sick units by offering reschedulement of arrears of government dues and electricity charges by granting a period of 5 years for repayment and offering concessional interest rate @ 7%. Secondly, this concessional interest rate is made applicable to those sick MSI/LSI units registered with BIFR.

13. Regulation:

- Enactment of Industrial single window clearance Act has been duly announced by every state.

14. Skill Development & Training:

- There is no mandatory provision for skill development and training programmes in AP's Industrial policy. But the other states have clearly set out the incentives.
- While TN made a provision for reimbursing 50% of the tuition fees of special short term courses and also for the courses organized by MSME Associations, Gujarat is reimbursing 50% of fees subject to maximum Rs.5000 per person for a minimum 1 week training conducted by Anchor or specialized institution with minimum 25 trainees.

- In Maharashtra, it has been proposed to set up a labour market information cell to bridge the employability gap. Further, Vocational training institutes are proposed to be restructured for attaining quality, utility and effectiveness in line with the market trends and technology changes.

15. Industry Wise Incentives offered in Andhra Pradesh vis a vis Gujarat:

15.1 Incentives to the Leather Industry in AP:

Andhra Pradesh government provides financial assistance in the form of investment grants to the extent of 30 percent of cost of plant and machinery for SSI and 20 percent of cost of plant and machinery for other units, subject to a ceiling of US\$0.12 million for technology upgradation and expansion.

15.2 Food Processing Industry:

Andhra Pradesh has high potential for the growth of agro based industries. In order to accelerate the growth and to build strong food processing units in the state, the government has extended its support by announcing additional incentives on all schemes being implemented by the GOI.

- Sanction of additional subsidy of 10% on Central Grant up to a maximum of Rs.5.00 lakhs.
- Reimbursement of 50% stamp duty and registration
- Provision of 5% interest subsidy on total working capital loan subject to a maximum of Rs. 2.00 lakhs per year for a period of one year to the units set up in Food Parks.
- Interest subsidy against 50% exports of installed capacity
- 50% subsidy for mechanized grading/sorting/sizing Machines/packaging especially for exportable products subject to a ceiling of Rs.3.00 lakhs
- 25% subsidy for Dryers subject to a ceiling of Rs.2.00 lakhs
- Refund of input tax on exports made
- 25% air freight subsidy on actual cost on air freight for exports subject to a ceiling of Rs.2.00 lakhs per annum.
- Provision of power tariff at concessional rate at Rs.1.75 ps. Per unit for a period of 5 years

Gujarat:

- 6% per annum back ended interest subsidy for first 5 years, from commencement of operations
- The aggregate interest subsidy will not exceed Rs.400 lakhs
- Assistance in the preparation of pre-feasibility studies through Gujarat Infrastructure Development Board
- Allotment of government land including agriculture farms on long lease basis at reasonable rates.
- Encouragement of agro processing industries to enter contract farming either through group of farmers, value added centres, agro service centres or cooperatives and for facilitating this arrangement the govt. proposed for sanction of agricultural subsidy to the farmers.

Annexure II

| Comparative Statement of the Industrial Policy across States in India | | | | |
|--|--|--|---|--|
| | Andhra Pradesh | Tamil Nadu | Gujarat | Maharashtra |
| Potential Sectors | | | | |
| 1 | Information technology, Pharmaceuticals, Biotechnology, Nano technology, Textiles, Leather, Minerals & food processing | Automobiles, Semi conductor, Electronic Hardware, Nanotechnology industry, leather, textiles etc | Auto components, Semi conductor fabrication, Nano technology, Ship building and Repairing | Agro based industries, Auto and Auto components, Electronic products, Pharmaceuticals, Gems & Jewellery, IT, ITEs, Biotechnology and Nano technology |
| Emphasis on rural industrialisation | | | | |
| 2 | Cottage and Micro enterprises | | | |
| 3 | | | | |
| Land | | | | |
| | 100% reimbursement of stamp duty for SSI/Tiny/Medium & Large units | 20% land reserved in all SIPCOT Estates for micro, small and medium enterprises | | 100% exemption from stamp duty extended upto 31st March, 2011 in C,D, D+ Talukas and No industry districts. |
| | 100% reimbursement of stamp duty for Lease of land/shed/Buildings (SSI/Tiny/Medium/Large) | 50% rebate on stamp duty and registration charges for MSMEs set up in IEs & backward areas | | Units in MIDC areas/Cooperative Industrial Estates are exempted from payment of Non Agricultural Assessment charges. Royalty payable on minor minerals under taken in MIDC area as well as in cooperative IEs will be 100% exempted. |
| | 100% reimbursement of stamp duty and transfer duty on financial deeds and mortgages (SSI/Tiny/Medium/Large). | 20% Infrastructure subsidy for private estates to a maximum of Rs.1cr per estate | | |
| | 25% rebate on the land cost for IEs/IDAs limited to Rs.5 lakhs for (SSI/Tiny/Medium/Large) units | Stamp duty exemption on mortgaged and pledged documents | | |
| | Industrial units exempted from Nala tax | | | |
| Water | | | | |
| | Reservation of 10% water for industrial use | | Reimbursement of 50% cost of energy/water audit conducted by unit subject to a limit of Rs.25,000 | |
| | | | Additional assistance of 20% of cost of equipment subject to max.Rs.10 lakhs per project | |
| Power | | | | |
| | Reimbursement of power cost @Rs.0.75 per unit for 1 year and rate would be regulated for the remaining 4 years | 20% low tension power tariff for 36 months | | Eligible units in C,D and D+ Areas and No industry Districts are exempted from payment of Electricity Duty for a period of 15 years. Even EOUs, IT and BT units are exempted. |
| | Conversion of feeders with more than 50% of industrial loads into industrial feeders | | | |

| 4 | Investment Subsidy | | | |
|---|--|--|--|---|
| | 15% investment subsidy on fixed capital for SSI/Tiny industrial units subject to a maximum of Rs.15 lakhs | 15% capital subsidy subject to a maximum of Rs.3.75 lakhs | Venture Capital Assistance for MSMEs upto Rs.10 crores during the operative period of the scheme | Provision of Industrial Promotion Subsidy to all SSI/MSI/LSI including IT/BT units equal to 25% of any Relevant tax paid by the eligible unit to the Govt. of Maharashtra or to any of its departments/agencies |
| | Additional investment subsidy of 5% on fixed capital investment limited to Rs.5 lakhs for SC/ST entrepreneurs | | | Existing units having additional investment to the extent of 25% or more over the Gross Fixed capital investment are eligible for 75% of the incentives admissible for new units. |
| | Receipt of 25% grant from the taxes paid by SSI/Large/Medium units to government | 100% on the net value added tax (VAT) for the first 6 years | | Additional incentives applicable to those SSI units coming up in Industrial clusters/parks in Agro based, textiles, auto and auto components, Electronic products, pharmaceuticals, gems & jewellery, IT,ITES in C,D,D+ areas |
| | | 15% capital subsidy subject to a maximum of Rs.30 lakhs for industries in backward areas | | 75% reimbursement of expenditure towards ESI & EPF under Special incentive category is announced for Units coming up in districts low in HDI and employing atleast 75% local persons. |
| | | 5% additional capital subsidy for units set up by women, SC and ST | | Industrial projects with investments more than Rs.500 crores or generating employment for more than 1000 persons in A and B areas are eligible for customized package of incentives. |
| | | 5% employment intensive subsidy subject to a maximum of Rs.5 lakhs if at least 25 workers are employed for a minimum period of 3 years | | |
| | | Integration of subsidy scheme for set up of agro based units with the capital subsidy scheme for backward areas | | |
| 5 | Credit | | | |
| | Provision of 5% of the project cost as seed capital assistance to SSI/Tiny industries | 3% back-ended interest subsidy for technology upgradation/modernization subject to a ceiling of Rs.10 lakhs per unit for 5 years | Graded interest subsidy for MSMEs at 7% for micro units and at 5% for SMEs | Interest subsidy is applicable to units like textile, hosiery, knitwear and readymade garment units in SSI sector payable on term loan equal to the interest payable at 5% per annum |
| | Provision of 3% interest rebate on PLR | | Interest subsidy not available for penal interest or other charges | Extension of 10% to 22.5% of the project cost limited to a max. of 10 lakhs under seed money scheme to educated unemployed youth. |
| | Provision of 5% interest rebate on PLR subject to a maximum of Rs.5 lakh per year for a period of five years to women entrepreneurs. | | 1% additional interest subsidy to youth having > 35 years | |
| | Provision of 5% of project cost as seed capital assistance to SSI/Tiny Units run by SC/ST entrepreneurs | | Maximum amount of subsidy is Rs.25 lakhs per annum for 5 years | |

| | | | | |
|-----------|---|--|--|---|
| 6 | Technology upgradation | | | |
| | Provision of additional subsidy of 8% on capital equipment | Creation of technology fund | Group assistance for acquiring technology by way of 50% grant subject to a maximum of Rs.1 crore per technology including royalty payments for first two years | 5% subsidy on capital equipment for technology upgradation limited to Rs.25 lakhs |
| | Reimbursement of 50% of expenditure incurred on account of BIS, ISO 9000/14000 Certificate | Financial assistance of Rs.50 lakhs per incubator/Centre of Excellence | R&D Support upto 60% of the project cost excluding land cost & building cost | 50% subsidy on the expenses incurred for quality certification limited to Rs.1 lakh |
| | | 50% subsidy on the cost of trade mark registration or Rs.25,000 whichever is less | Assistance of Contract/sponsored research at 50% of project cost excluding cost of land and building subject to maximum Rs.50 lakhs | |
| | | Reimbursement of 50% of tuition fees for conducting short term training courses | Quality Certification for 3 certificates at the rate of 50% of cost of quality certification | 50% subsidy on the expenses incurred for patent registration limited to Rs.5 lakhs |
| 7 | Export Promotion | | | |
| | Sales tax exemption on raw materials for EOUs | Proposed formulation of export policy to encourage exports | | |
| | 30% grant for participating in the international trade fairs | | | |
| 8 | Environment | | | |
| | Provision of 25% subsidy on specific cleaner production measures subject to a maximum of Rs.5 lakhs | 25% additional subsidy for the adoption of environment friendly technology subject to a maximum of Rs.3 lakhs | | 25% subsidy on cleaner production measures limited to Rs.5 lakhs |
| | Conversion of units having a capacity of Rs.100 crs or above into mega projects | | | |
| 9 | Growth enabling incentives | | | |
| | Plough back of 25% of commercial tax to industry for 5 years | Provision of Cluster Development schemes | | Proposal for notifying certain MIDC areas as Designated Areas which will be eligible to get all the benefits of SEZs except the fiscal benefits. |
| | Special fiscal benefits for existing large industries | Support for common facility centres at the rate of 25% of the project cost subject to a ceiling of Rs.1.00 crore | | Proposal for notifying industrial areas across the state as industrial townships |
| 10 | FDI | | | |
| | Creation of AP Invest for timely clearance and assistance to units | | | |
| 11 | Access to Market | | | |
| | Imposition of regulatory barriers over large scale units | 15% price preference for purchase of goods of domestic micro and small enterprises | Assistance for packaging design @ 50% of the cost subject to maximum Rs.2 lakhs once in a period of five years | Gram Udyog Vasahats are proposed to be established one in every district to give boost to the activities of Khadi and Village industry. Land is even proposed to be allotted for Urban Hat for marketing the articles made by the small, village and khadi industries |

| | | | | |
|-----------|--|---|---|---|
| | Provision of reservations to SSI units for marketing their products | Waiver of Earnest Money Deposit | Reimbursement of 50% of total rent , literature and display material in the participation of international trade fair subject to maximum Rs.5 lakhs in five years | Govt. proposed to establish World class International Exhibition centres at Mumbai and Pune through PPP model. |
| | | | | |
| | Protection to non-local units | 50% grant on hall rent subject to a ceiling of Rs.5 lakhs per event in Chennai & Rs.1 lakh in districts | Assistance to Industry Associations @ 50% of total rent subject to max.Rs.10 lakhs in international trade fair as Gujarat Pavillion | |
| | | | Viability Gap support to associations subject to a max.Rs.4 lakhs for international seminar and Rs.8 lakhs to exhibition in Gujarat | |
| | Assistance to SSIs under Delayed payment Act | Encouragement for brand name | Assistance for setting up of Convention Centre/Trade Centre @50% of project cost upto Rs.5 crores excluding land cost once in a period of five years | |
| 12 | IPRs | | | |
| | Reimbursement of 50% of expenditure incurred for patent rights up to Rs.5 lakhs for SSI/Tiny Units | 50% subsidy on the cost of filing a patent application or Rs.2,00,000 per application whichever is less | 50% assistance subject to a maximum Rs.10 lakhs for obtaining domestic patents | |
| | | | Enhancement of assistance to Rs.25 lakhs for international patents | |
| | | | Maximum five patents per unit over a 5 year period will be eligible | |
| 13 | Cluster Development | | | |
| | Special package of incentives for individual units in the clusters | | Assistance @ 80% with a ceiling of Rs.10 crore per cluster for a period of 3 to 5 years | Eligible units setting up facilities in the Clusters coming up in C, D, D+ area are entitled to the IPS applicable to one step higher incentive category under clause 9.1 |
| | | | Cluster Advisory Institution to be constituted | Cooperative industrial estates are eligible to one FSI as is applicable in MIDC areas |
| | | | Clusters will be eligible for partial financial assistance as available under the scheme of Critical Infrastructure | |
| 14 | Industrial sickness | | | |
| | Identified the rehabilitation policy for sick units | Special rehabilitation package for sick units | Subsidy @ 50% on cost of diagnostic study by technical institution through FI/Bank/Govt.-maximum Rs.1 lakh | SSI sick units are proposed to be revived by offering rescheduling of arrears of govt. dues as well as electricity charges by granting a period of five years for repayment and offering concessional interest rate @ 7% p.a. |
| | Yet to build monitoring mechanism for the identification of incipient sickness | | Reimbursement of 50% advisory fees to the Registered Experts subject to a max.Rs.1 lakh | Sick MSI/LSI units registered with BIFR are also eligible for concessional interest rate of 7% p.a. |

| | | | | |
|-----------|---|--|--|--|
| | | | Interest subsidy @ 5% per annum limited to Rs.10 lakhs per year for three years on additional finance for rehabilitation, disbursed by Bank/FI | |
| | | | One Time Settlement on a graded scale for govt. dues | |
| | | | Take over the sick unit by new unit is eligible for above assistance | |
| 15 | Regulation | | | |
| | Single Window Scheme | Introduction of common application form | | |
| | | Self certification in respect of their compliance with statutory requirements | | |
| | | Enactment of Industrial single window clearance Act | | |
| 16 | Skill Development & Training | | | |
| | | Reimbursement upto 50% of the tuition fees of special short term courses | Reimbursement of 50% of fees,subject to maximum Rs.5000 per person for a minimum 1 week training conducted by Anchor or specialised institution with minimum 25 trainees | Labour market Information Cell and Service Training Institute have been proposed to be set up to bridge the employability gap |
| | | Reimbursement of 50% of the tuition fees of short term training organized by MSME Associations | | Vocational training institutes are proposed to be restructured for attaining quality, utility and effectiveness in the backdrop of changing technologies and requirements in the labor market. |