

Andhra Pradesh Electronics Policy

2021 – 2024

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1. Definitions

- 1.1. **Electronics manufacturing** refers to the activity of assembling electronics finished goods, assemblies, sub-assemblies.
- 1.2. **Electronics components manufacturing** is defined as the activity of producing specified basic discrete devices or physical entities that are used in Electronics manufacturing.
- 1.3. **Electronics industry** refers to organizations that are involved in activities such as design and development, manufacture, assembly, testing of electronic finished goods and electronic components and servicing of electronic equipment.
- 1.4. **Electronics Manufacturing Cluster** refers to a dedicated area intended for establishing multiple electronics industries with common and social infrastructure.
- 1.5. **Business Proposal** refers to the Detailed Project Report (DPR) to be submitted as per prescribed template by an electronics industry intending to establish operations in the state.
- 1.6. **Investment capacity** means the quantum of proposed investment in the state by an electronics industry for which the said industry can provide source of funds.
- 1.7. **CCITEI** refers to an empowered 'Consultative Committee for IT and Electronics Industry' constituted by the state Government with the representatives of Government and industry.
- 1.8. **Mega industry** refers to an electronics industry with an investment over INR 500 Cr. or employment over 4,000.
- 1.9. **Micro, small and medium enterprises** are defined as per the Government of India Act.
- 1.10. **Common Facility Centre** refers to the facility that provides common infrastructure such as packaging and warehousing, effluent & water treatment plants, testing and certification facilities, 3D printing facilities, Maker labs, Prototyping facilities, mail room etc.
- 1.11. **Local employment** would be defined as per the AP Employment of Local Candidates Act 2019.
- 1.12. **Zone A** is defined as brownfield electronic manufacturing clusters developed by the Government of Andhra Pradesh or it's agencies.
- 1.13. **Zone B** is defined as greenfield Electronics Manufacturing Clusters being developed by the Government of Andhra Pradesh or it's agencies.
- 1.14. **SC/ ST enterprise** is an enterprise with 100% Scheduled Caste (SC) / Scheduled Tribe (ST) entrepreneurs. SC/ ST entrepreneur refers to a person belonging to SC / ST Category as notified by the Government of Andhra Pradesh from time to time. All non-statutory concessions granted to S.C. (Hindus) by the State Government including economic support schemes sanctioned by A.P. Scheduled Castes Cooperative Finance Corporation have been extended to Scheduled Caste converts to Christianity and Buddhism as per orders issued in the G.O.Ms.No.341, Social Welfare (PR) Dept. dated 30.8.1977.
- 1.15. **BC enterprise** is an enterprise with 100% Backward Class (BC) entrepreneurs. BC entrepreneur refers to a person hailing from Andhra Pradesh and belonging to BC Category as notified by the Government of Andhra Pradesh from time to time.
- 1.16. **Women enterprise** is an enterprise with 100% women entrepreneurs.

1.17. **Industrial Area Local Authority (IALA)** is a body to promote local self-governance of industrial areas involving the taxpayer's community in the notified industrial areas in the management/ maintenance of such industrial areas.

2. Context

Globally, consumption of electronic devices in every sphere of life, ranging from consumer electronics to industrial, automotive, defense and aerospace applications has been increasing at a rapid pace. In this context, Electronics manufacturing has become one of the fastest growing manufacturing industries in the world with a global production of about USD 2 Trillion in 2017-18.¹ While traditionally countries such as China, South Korea and Taiwan have led the manufacturing output, the fast-changing trade equations between major economies worldwide are seeing investments flowing into countries such as India, Malaysia, Thailand and Vietnam.

The Indian market for electronics goods stood at USD 118.2 Billion in the year 2018-19 and is expected to quadruple to USD 400 Billion by 2025², driven by growth in income levels and higher disposable incomes. Mobile phones, Industrial electronics, Strategic electronics are some of the major sub-sectors in electronics with growth potential in India. The Electronics System Design and Manufacturing (ESDM) sector currently provides employment to about 20³ lakh people in the country and the Government of India in its National Policy for Electronics, 2019 highlighted the strategic importance of electronics manufacturing and set a target to produce 1 billion mobile handsets by 2025.

3. Advantage Andhra Pradesh

Andhra Pradesh is strategically located on the Southeast coast of India and is a natural gateway to East & Southeast Asia. The State has a population of 49.3 million, accounting for 4 percent of India's population. Andhra Pradesh is a naturally conducive destination for Electronics manufacturing industry owing to its logistics infrastructure comprising of 5 operational ports, 6 operational airports, and excellent road and rail network which facilitate smooth inward and outward freight. The state also has 40,000 acres of landbank and provides 24x7 reliable, quality power and water to the industry. The state is developing two industrial corridors, namely Vizag-Chennai Industrial Corridor (VCIC) and Chennai-Bengaluru Industrial Corridor (CBIC). Both VCIC and CBIC are being developed with 4 nodes each at strategic locations with access to all critical infrastructure. Andhra Pradesh is the easiest state to do business and has been ranked 1st in World Bank's and Government of India's Ease of Doing Business ranking in the previous three ranking editions.

¹ MeitY annual report 2018-19

² MeitY annual report 2019-20

³ ESDM – As a Catalyst for “Make in India” for the world - IESA

Electronics manufacturing sector is poised for rapid growth in Andhra Pradesh. The state is consistently featuring in the top 3 destinations in India for mobile manufacturing. Major global firms have started operations in the state and the state is also receiving multiple investment proposals for setting up of electronics manufacturing firms. Moreover, the state's electronics exports are starting to rise, with the state clocking USD 70 million exports in 2018-19 alone.

Andhra Pradesh is also home to highly skilled technical resources with a host of premier government institutes such as IIT, IIIT, IIM, IISER, JNTU, SV University, Andhra University and IIDT in addition to Industrial Training Institutes (ITIs) that impart manufacturing related skill among the youth. Further, the state is well located close to major consumption centers such as Chennai, Bengaluru, Visakhapatnam and Hyderabad thereby enabling manufacturers to reduce their cost of supply to the market.

4. Vision

The Government of Andhra Pradesh is committed to developing the State in a holistic manner. This policy envisions ***“Transforming the State of Andhra Pradesh into a preferred investment destination for the Electronics sector while focusing on backward integration of the manufacturing value chain, moving beyond assembly operations”***.

The state will also endeavor to work with the Government of India to align the state's initiatives and incentive schemes with those of Government of India and leverage underlying synergies.

5. Policy targets & objectives

The policy aims to create **large scale direct employment and create a robust Electronics ecosystem** during the policy period, by way of:

- 5.1. Focus on upstream value chain
- 5.2. Creating **large scale employment** in the thrust areas of Mobile phones, Consumer electronics, Industrial electronics, Electronics components and Strategic electronics.
- 5.3. Creating a **robust infrastructure** for the Electronics manufacturing industry in the form of Electronics Manufacturing Clusters along with plug and play manufacturing sheds
- 5.4. Capitalizing on growth in **domestic consumption**
- 5.5. Creating **industry ready talent pool** and fulfilling demand for skilled human resource
- 5.6. Focusing on **fast growing sub-sectors** such as mobile phones, consumer electronics, strategic electronics across traditional assembly and electronic component manufacturing including batteries, screens, camera modules, Printed Circuit Boards (PCBs) among many others
- 5.7. Promoting **innovation and R&D** in the industry and ensuring continuous technology upgradation

6. Policy validity

The policy will be valid from 1st April 2021 until 31st March 2024, unless superseded by a new policy or by a modification to this policy. The policy supersedes the previous Electronics policies, along with their amendments and addendums.

7. Interventions for growth of Electronics manufacturing ecosystem

7.1. Electronics Manufacturing Clusters

The IT,E&C Dept., through a designated nodal agency, shall build new Electronics Manufacturing Clusters (EMCs) in the State, offering the best in class Electronics manufacturing infrastructure coupled with other resources critical to the growth of the Electronics manufacturing industry. Additionally, the department shall explore the development of sub-sector specific parks and MSME parks for Electronics manufacturing wherever feasible.

7.2. Land allotment for Electronics industry

Land allotment to Electronics industry shall be done by a designated agency only on the recommendations of CCITEI.

7.3. Land usage

Mixed purpose land usage will be allowed up to 25 percent of the developed land allotted towards employee housing/ recreation.

7.4. Ready to occupy infrastructure

The IT,E&C Dept. shall initiate the creation of manufacturing sheds with all critical common infrastructure to enable fast track commencement of operations for Electronics manufacturing firms.

7.5. Water Incentive:

Water cost and availability of large quantities of water are crucial for electronics manufacturing. The IT,E&C department shall strive to bring down the cost of water supply in EMCs so as bring down the water tariff to the extent possible.

7.6. Common Facilities Centers (CFCs)

The Government will undertake steps to utilize available Government of India (GoI) schemes to develop CFCs in identified Electronics manufacturing hubs in the State.

7.7. Effluent Treatment:

Electronics manufacturing entails generation of harmful effluents which can have harmful effects to both people and environment in the surroundings. Additionally, manufacturing firms must invest costly equipment in order to treat these effluents and any other harmful solid waste. The IT,E&C Department will work with APIIC and Andhra Pradesh Environment Management Corporation (APEMC) to manage, treat and dispose all harmful effluents. The department will also ensure that the waste treatment is offered as a service at the lowest cost possible in all EMCs.

7.8. **Public Private Partnership (PPP) model for creation of Electronics infrastructure**

Wherever possible the state will endeavor to develop Electronics manufacturing infrastructure such as Electronics Manufacturing Clusters, Common Facility Centres, ready-to-occupy infrastructure through a transparent Public Private Partnership model. Such a model would be governed by the following principles:

- i. IT,E&C department, through a designated nodal agency, will select a suitable partner for each project, to be a developer or a consortium of developers and industry players.
- ii. Such selected partner will be responsible to bring in the necessary investment for the creation of infrastructure and in turn market the facilities wherever applicable.
- iii. Relaxation to AP Building Rules would be considered, subject to the payment of City Level Infrastructure Impact Fee and clearances from Fire Services or any appropriate authority and conformance to National Building Code and statutory regulations.

7.9. **Skill development centers**

The Government of Andhra Pradesh is setting up 30 skill development centers and a high-end IT skills university. The IT,E&C department will work with the Department of Skill Development as well as industry to leverage synergies and create large-scale industry ready talent pool for the Electronics manufacturing sector.

7.10. **Trade linkages**

The IT,E&C Dept. will organize trade linkages between countries by means of facilitating delegations from the State to visit leading Electronics manufacturing hubs globally, and hosting delegations from global Electronics manufacturing ecosystems in the State.

7.11. **Research Hub and Funding**

An R&D hub will be established in the State to take advantage of the existing education ecosystem and create a culture of innovation through prototyping labs and testing centers. The Government will strive to establish a research and development (R&D) fund for the growth of R&D activities.

8. **Business process reforms**

8.1. **Deemed Industrial Area Local Authority (IALA) approval for EMCs**

A deemed IALA approval would be given to the new EMCs in the state so that Electronics manufacturing units within these areas can commence operations immediately after getting an online acknowledgement by submitting a 'declaration of intent' with a condition to formalize all the approvals within 3 years.

8.2. **Approvals**

The government aims to cut down complexity for the industry in moving from the initial planning phase to operationalization phase by bringing various reforms in land allotment, incentives approval, provision of infrastructure, permissions for commencement of operations and processing of incentive claims, through a dedicated investment portal.

For this, the Policy outlines the following measures:

- 8.2.1. White and green category Electronics industry units will be provided with deemed approvals in notified EMCs with a condition to formalize all approvals within 3 years.
- 8.2.2. Comprehensive investment portal to handle all project applications, permissions and incentive claims.
- 8.2.3. All land allotments and incentive approvals within the framework of policy to be decided by IT,E&C Dept. for firms under the Electronics industry.
- 8.2.4. Electronics Manufacturing Clusters to have all critical infrastructure till the boundary of the site.
- 8.2.5. Dedicated project teams will provide internal infrastructure in land sites within 60 days from purchase of land.
- 8.2.6. FSI norms would be relaxed within Electronics Manufacturing Clusters, subject to payment of prescribed premium.
- 8.2.7. Only investors seeking incentives beyond the scope of Policy to go through the Government route.

8.3. **Statutory exemptions**

- 8.3.1. General permission shall be available for 3-shift operations with women working in the night, subject to the Electronics industries taking the prescribed precautions in respect of safety and security of employees.
- 8.3.2. Electronics industries/ Electronics Manufacturing Clusters are declared as essential services under AP Essential Services Maintenance Act.

8.4. **Industrial infrastructure at competitive rates**

- 8.3.1. IT,E&C department shall strive to offer infrastructure such as land and ready-to-use factory sheds to industry at competitive rates.
- 8.3.2. The extent of land allotment/ plug and play factory sheds to industrial units in notified EMCs and their cost and rentals respectively shall be as approved by CCITEI.
- 8.3.3. The land allotment agency shall adhere to such approvals of CCITEI with respect to the notified EMCs across the State.

9. Fiscal Incentives under the Policy (For Zone A and Zone B)

9.1. **For Zone A and Zone B**

9.1.1. **Stamp duty**

- Reimbursement of 100 percent stamp duty, transfer duty, and registration fee paid on sale/lease deeds on the first transaction only.

9.1.2. **Investment subsidy**

- 20 percent of Fixed Capital Investment (FCI) up to INR 20 Cr. for Electronics industries.

- 25 percent of Fixed Capital Investment (FCI) up to INR 25 Cr. for Electronics industries categorized as SC/ ST/ BC/ Women enterprises.
- 9.1.3. **SGST reimbursement**
 - 100 percent net SGST reimbursement for a period of 8 years.
- 9.1.4. **Power tariff (Only for Zone A)**
 - 24x7 uninterrupted power supply.
 - Fixed power cost reimbursement of INR 1.00 per unit for a period of 5 years from the date of commencement of commercial production.
 - Fixed power cost reimbursement of INR 1.50 per unit for a period of 5 years from the date of commencement of commercial production for electronics industries categorized as SC/ ST/ BC/ Women enterprises.

9.2. **Additional incentives in Zone B:** For firms setting up in Zone B, the below incentives will be provided additionally:

- 9.2.1. **Power tariff**
 - 24x7 uninterrupted power supply
 - The power tariff shall be invoiced at competitive rates of INR 4.50 per unit.
- 9.2.2. **Logistics subsidy**
 - Reimbursement of 25 percent of cost incurred on domestic transport up to a sum of INR 50 lakh per annum for 5 years.
 - Given increased interest by global Electronics industry firms in relocating their existing plants to India, as a special consideration, a reimbursement of 50 percent of cost incurred on import of manufacturing equipment, up to a sum of INR 2 Cr. shall be offered.
- 9.2.3. **Interest subsidy:**
 - To provide interest subsidy on term loan @ 5 percent up to INR 1.50 Cr. per year for a period of 5 years.

10. Production Linked Incentive (PLI) Scheme

The Electronics industries setting up operations in Zone B in the state as defined and qualifying for the PLI scheme as per its eligibility threshold criteria, may opt for incentives under the scheme.

10.1. Eligibility threshold criteria

Companies investing at least INR 100 Cr. or employment of 1,000 after date of notification of the policy shall be eligible for incentives under the scheme. Further, the list of specified items eligible for the scheme shall be listed in the operating guidelines to be released separately.

10.2. Financial incentive

The scheme shall extend an incentive of up to 5 percent on annual incremental sales (over base year) of goods manufactured in Andhra Pradesh and covered under target segments, to eligible companies, for a period of 10 years subsequent to the base year. Only the FCI invested after

date of notification of the policy shall be considered.

10.3. **Base year**

Financial Year 2021-22 shall be treated as the base year for computation of incremental investment and incremental sales of goods manufactured in Andhra Pradesh. Incentives under the scheme shall be applicable from 01.04.2022.

11. Administration of incentives

- 11.1. The incentives in the policy are intended to incentivize and encourage new investments and activities that would otherwise have struggled to happen or not materialized.
- 11.2. The incentives proposed herein are applicable to Electronics industry firms setting up operations in EMCs developed by any agency of Government of Andhra Pradesh.
- 11.3. The overall incentives will be capped to a maximum of 50% of FCI in Zone A and 100% of FCI in Zone B.
- 11.4. The investors eligible for PLI scheme may also choose customized package of incentives that are a mix of incentives under PLI scheme and other fiscal incentives on operational expenses as provided in **para 9** of this document.
- 11.5. The incentive disbursement under the policy shall be limited to a maximum of 10% of FCI in each financial year.
- 11.6. Only the investment and employment generated after the date of notification of the policy shall be considered.
- 11.7. Incentives will be disbursed only after successful realization of the year on year committed employment and investment as per the DPR provided by the investor.
- 11.8. The incentives listed herein would be available to companies setting up operations in Andhra Pradesh for the first time and to the expansions of existing companies, unless the same has been claimed earlier.
- 11.9. The disbursement of incentive to the eligible enterprises shall be disbursed within 6 months from the date of issue of the order.

12. Customized incentive package

12.1. **Customized incentive package:**

The companies which are approved under the customized package of incentives shall be eligible to claim only such approved incentives. In order to be eligible under this package, the Electronics manufacturing unit/ company has to generate an employment of more than 4,000 people or invest INR 500 Cr. or above in the state.

12.2. **Special incentive package for Semiconductor and LCD fabs**

The Government of Andhra Pradesh will work with large investors with an investment over INR 7,500 Cr. (USD 1 Billion) to create a global fab manufacturing destination. The government will make efforts to not only fast track such investment proposals through a special committee setup but also ensure that these investors are ensured infrastructure and skilled manpower in a rapid

manner.

13. Encouraging State manufacturing firms in AP Government projects

13.1. Preferential Market Access

Preference shall be given to Electronics industry operating in Andhra Pradesh as per the directions of Government from time to time.

14. Governance of the Policy

- 14.1. Andhra Pradesh Electronics & Information Technology Agency (APEITA) will act as a nodal agency for implementing the Policy.
- 14.2. Further, CCITEI shall be responsible for the following aspects of implementing the Policy:
 - 14.2.1. Eligibility of firms as Electronics manufacturing or component manufacturers
 - 14.2.2. Incentive approval and administration
 - 14.2.3. Land allotment including extent of land
 - 14.2.4. Settling any ambiguity in interpretation of the policy
 - 14.2.5. Other aspects as approved by the Government
- 14.3. A steering committee under the chairmanship of the Chief Secretary shall be constituted for classification of upcoming EMCs in the state as Zone A or Zone B.
- 14.4. The detailed operating guidelines for the Policy shall be published separately.