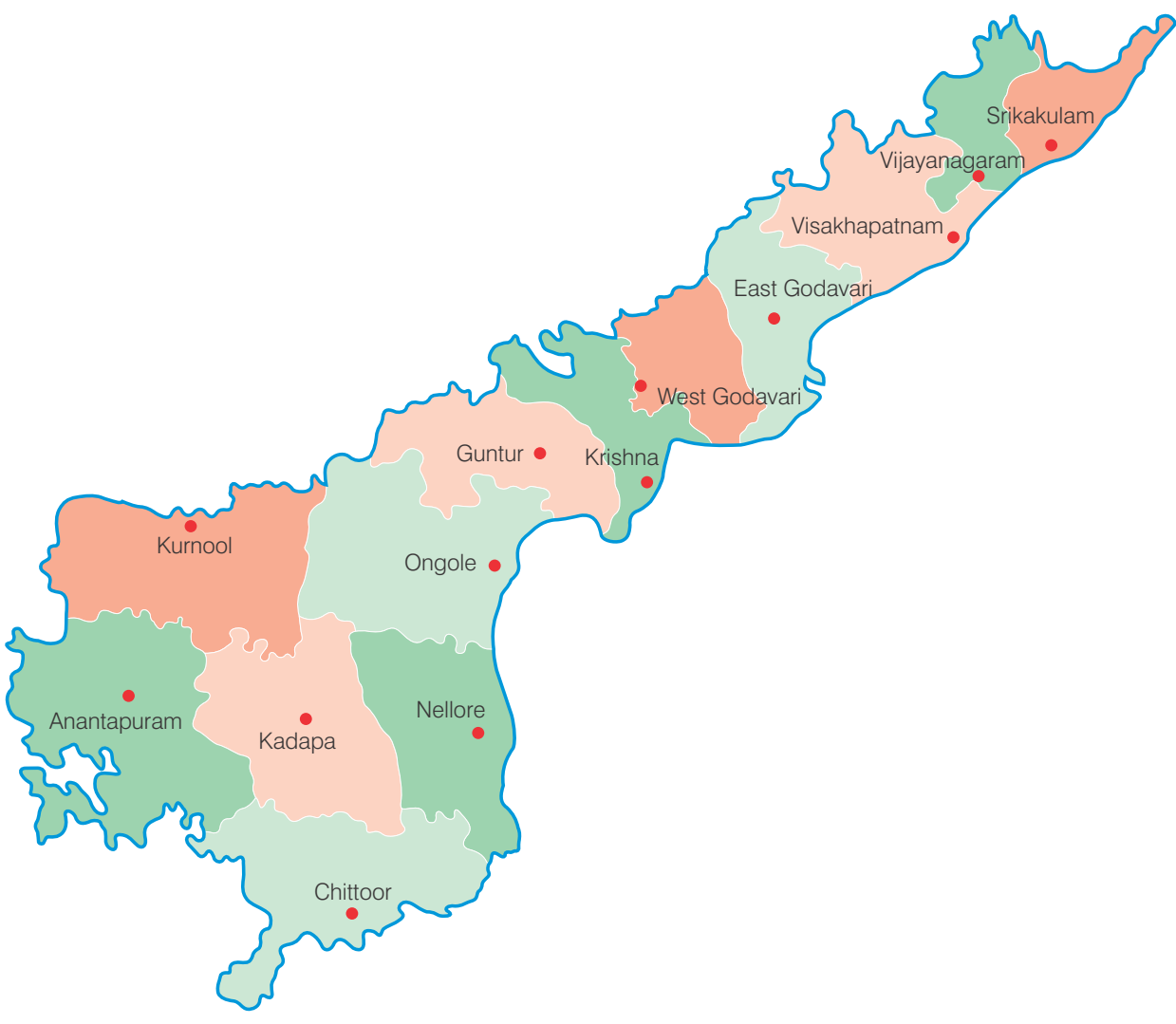




Reimagining Andhra Pradesh Electronics Policy 2014-2020



Information Technology, Electronics & Communications Department
Government of Andhra Pradesh





Andhra Pradesh Electronics Policy 2014-2020





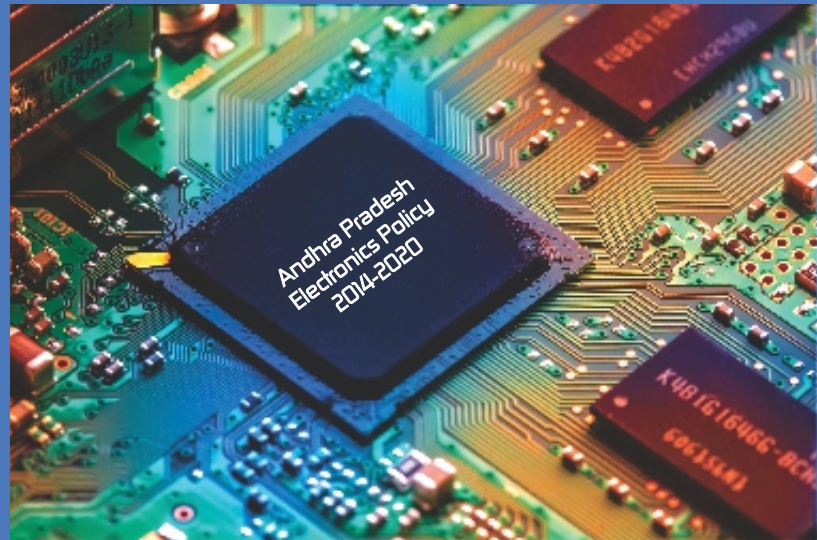
Globally, the Electronics Industry is the largest and fastest growing manufacturing industry in the world, with a size of USD 1.75 Trillion. It is expected to reach USD 2.4 Trillion by 2020. The demand in the Indian market was USD 70 Billion in 2013-14 and is expected to reach USD 400 Billion by 2020. Domestic demand is expected to be driven by the growth in income levels leading to higher off-take of electronics products, automation demands of corporate sector and Government's focus on e-Governance. However, with a low domestic manufacturing base and a low value addition, the demand-supply gap is likely to reach USD 300 Billion by 2020. To meet this alarming situation, and to enhance domestic manufacturing and value-addition in Electronics Systems Design and Manufacturing (ESDM), the Department of Electronics and Information Technology (DeitY), Ministry of Communications and Information Technology (MoC&IT), Government of India, notified the National Policy on Electronics in 2012. The NPE 2012 seeks to attract investments to the tune of USD 100 Billion and to create employment of 28 Million by 2020.

Context for the AP Electronics Policy

Government of Andhra Pradesh has recently developed a blueprint “**Re-Imagining Andhra Pradesh - Role of e-Governance, Electronics and IT**” for the development of the Electronics & ICT Industry in the State. It has laid out a vision to:

“Develop AP as an **Innovation Society** of global repute, with a focus on enhancing the **Quality of Life** of its citizens, through high-quality **Education and Healthcare**, increased productivity in **Agriculture** and allied activities, creation of **Employment** by promoting Electronics and IT, and above all, by providing **Good Governance**.”

The blueprint has identified a set of 18 policies and frameworks to realize the Vision. The Electronics Policy laid down in this document is one among them. Andhra Pradesh with its huge talent pool, skilled manpower and entrepreneurship is highly suited to take advantage of the opportunities offered by the Electronics sector.



The Vision envisaged for the **Andhra Pradesh Electronics Policy 2014-2020** is: “**To develop Electronics Industry as an important Growth Engine for Andhra Pradesh through effective use of the talent pool, skill enhancement, promotion of innovation & future technologies and creation of excellent infrastructure.**”

The Policy aims to attract investments to the tune of ₹ 40,000 Cr. (USD 5 Billion) in ESDM sector and create an employment of 4 lakhs (0.4 Million) by 2020.

Government of AP intends to achieve its vision, objectives and goals set forth above, through a combination of the following strategies.



1. Adopting and promoting of NPE 2012 of Gol

Given the comprehensive and holistic nature of the National Policy on Electronics 2012, the Government of AP intends to fully leverage the same and build upon its strengths, as stated below.

- 1.1 **Electronics Manufacturing Clusters (EMCs):** The EMC Scheme intends to create infrastructure highly suited to electronics units by providing a subsidy of 50%. The Government of Andhra Pradesh proposes to promote the development of 20 EMCs across the State, by facilitating the preparation of project proposals by the entrepreneurs and providing single-window clearances.
- 1.2 **Target investment of ₹ 30,000 Cr. under M-SIPS:** Government would make all efforts to attract investments to the tune of ₹ 30,000 Cr. (USD 5 Billion) and facilitate the units to get the 25% Capital Expenditure subsidy under the M-SIPS scheme of GOI.
- 1.3 **Preferential Market Access:** The policy of Gol on preferential market access for domestically manufactured electronics products shall be implemented in all departments procuring electronics in large quantities. Additional preference shall be given to AP-based domestic manufacturers.
- 1.4 Create a **Joint Government-Industry committee** to market India and attract investments in the Country.
- 1.5 Create a fund under the management of the Committee comprising representatives of industry bodies and government, with an equal stake to promote design, manufacturing, assembling and innovation and packaging business.

2. Building Infrastructure

- 2.1 **Mega Electronics Hub:** Government of Andhra Pradesh envisages developing an Information Technology and Investment Region (ITIR) in Visakhapatnam. In the ITIR, the Government would reserve two clusters / areas to be solely developed as Electronics Hubs. Visakhapatnam is proposed to be developed as a Mega Electronics Hub for the State.
- 2.2 **Electronic Hardware Park(s):** GoAP will facilitate the setting up of the **Electronic Hardware Park in Kakinada** as announced by Gol. The Park would feature state-of-the-art infrastructure with all basic amenities such as internal roads, water, power and other common facilities for the Electronics Units.
- 2.3 **Common Facilities Centre:** Common Facilities Centres would be created in all identified Electronics Hubs.
- 2.4 **Visakhapatnam-Chennai Corridor:** Fast movement of inputs, components and finished products is essential for cost-effectiveness in the ESDM sector, which otherwise operates on thin margins. Steps would be taken to enhance the logistics along the Visakhapatnam-Chennai Corridor.
- 2.5 **PPP for Creation of Electronics Hardware Infrastructure:** Facilities, in the form of electronics hubs, hardware parks and electronics zones, shall be developed adopting a transparent PPP policy. The following principles will form part of the policy:
 - a. For each project, APIIC shall select a partner, who can be a developer or a consortium of developers and the industry players, through a bidding process involving the QCBS method.
 - b. The responsibility of marketing the facilities created shall vest with the selected partner. The Government shall provide promotional support as needed.
 - c. Appropriate relaxations will be provided from the zoning regulations and land usage conversions, subject to environmental safeguards.
 - d. Relaxation to AP Building Rules would be considered, subject to the payment of City Level Infrastructure Impact Fee and clearances from Fire Services, Airport Authority and conformance to the National Building Code and statutory regulations.
- 2.6 **Renewable Energy:** The State Government will encourage units using renewable energy. Units using renewable source of energy with a minimum of 40% of their power requirements coming from renewable sources for their operations and manufacturing will be eligible for additional incentives such as Electricity Duty exemption for 5 years. Sales tax exemption for 2 additional years shall be available against the Carbon Credits earned on a year-on-year basis.

2.7 Other Critical Infrastructure:

- a. **Air Connectivity:** The process of expansion and modernization of the airports at Visakhapatnam and Tirupati are afoot. The Government shall take speedy and effective steps to develop other airports in the State to cater to the needs of the Industry.
- b. **Assured Power:** Andhra Pradesh has recently been selected as a pilot State to implement the 24x7 power supply scheme. Within a span of 5 years, the Government intends to make the State power surplus. As an interim measure, the electronics industry would be exempt from the purview of statutory power cuts.
- c. **Social Infrastructure:** A multi-departmental mechanism would be established to improve the social infrastructure in the cities where ITIR or EMCs are proposed to be developed.

3. Top-up Incentives of Gol

In addition to the incentives by the Gol as per NPE 2012, the Government of Andhra Pradesh shall provide the following additional incentives.

A. Incentives applicable to all categories of Electronic Hardware Industry:

A1- Non Fiscal Incentives

- 3.1 Electronics Industry would be exempted from inspections / certifications under the following Acts and the Rules framed thereunder and as administered by the Labour Department, barring inspections arising out of specific complaints. The Electronic Industry (units) are permitted to file self-certificates, in the prescribed formats for the following statutes.
 - i. The Factories Act, 1948
 - ii. The Maternity Benefit Act, 1961
 - iii. The AP Shops & Establishments Act, 1988
 - iv. The Contract Labour (Regulations & Abolition) Act, 1970
 - v. The Payment of Wages Act, 1936
 - vi. The Minimum Wages Act, 1948
 - vii. The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
- 3.2 General permission shall be available on the lines similar to IT / ITES industry for 3 shift operations with women working in the night, subject to the Electronics Units taking the prescribed precautions in respect of safety and security of employees.
- 3.3 Electronics Hardware industry is declared as an essential service under the **AP Essential Services Maintenance Act**.

- 3.4 **CCITI:** An empowered 'Consultative Committee on Information Technology Industry (CCITI)' would be formed with the representatives of Electronics industry and the other stakeholders. The CCITI would administer the incentives in a speedy, time-bound and transparent manner.

A2 Fiscal Incentives

- 3.5 **Registration & Stamp Duty:** The Electronics Industry shall be eligible for 100% reimbursement of Stamp Duty, Transfer Duty and Registration Fee paid on sale / lease deeds on the first transaction and 50% thereof on the second transaction.
- 3.6 **Power Subsidy:**
 - a. 50% to micro, 40% to small & 25% to medium & 10% to large-scale industry limited to ₹ 50 lakhs Power Subsidy on power bills for a period of 5 years from the date of commencement of commercial operations.
 - b. **Exemption of Electricity Duty:** New Electronic Hardware units, after coming into commercial operations will be entitled for 100% exemption on Electricity duty for a period of 5 years.
- 3.7 **Patent Filing Cost:** The cost of filing patents will be reimbursed to the companies having their headquarters in Andhra Pradesh, subject to a limit of ₹ 5 Lakh (0.5 Million) per domestic patent awarded and ₹10 Lakh (1 Million) per international patent awarded.
- 3.8 **Quality Certification:** 50% subsidy on the expenses incurred for quality certification limited to ₹ 4 Lakh (0.4 Million) (Conformity European (CE), China Compulsory Certificate (CCC), UL Certification, ISO, CMM Certification, SA, RU etc.)
- 3.9 **Cleaner / Greener Production Measures:** 25% subsidy on cleaner / greener production measures limited to ₹10 Lakh (1 Million).
- 3.10* **VAT / CST Reimbursement:** 100% tax reimbursement on VAT/CST for a period of 10 years subject to a maximum of 100% of fixed capital investment other than land (such as building, plant, machinery, testing equipment, etc)
- 3.11* **Skill Upgradation & Training:** 50% reimbursement of the cost incurred subject to a maximum of ₹ 10,000 per employee to the companies for providing skill gap trainings to the engineers of AP domicile.
- 3.12 **Investment Subsidy:** 20% Investment Subsidy limited to ₹ 20 lakhs (2 Million) for MSME and additional 5% investment subsidy for Women/SC/ST Entrepreneurs.
- 3.13* **Interest Rebate (Interest Subsidy):** 5% for a period of 7 years (subject to maximum of ₹ 1 crore per annum per unit)

3.14* **Capital Subsidy:** 10% of total investment*, up to INR 50 million or ₹ 5 Crores (*Investment as defined in Indian Companies Act 1956)

3.15 **Rebate on Land Cost:** 25% rebate on land cost limited to ₹ 10 Lakh (1 Million) per acre in Industrial Estates, Industrial Parks, SEZs, EMCs

B. Additional incentives available to Mega Projects:

3.16 **Mega Projects:** Mega Projects are the projects or the investment intents with minimum Investment of ₹ 250 Cr. (2.5 Billion) or the ones that can create an employment of more than 2,000 persons in a span of five years. A special dispensation would be provided to the Mega Projects.

3.17 **Allotment of Government land for construction of own Manufacturing Facility:** Allotment of Government land for construction of own manufacturing facility by the Electronic Hardware Industry is made available subject to availability, fulfilment of certain eligibility criteria by the applicant and on payment of land cost and development cost, as determined from time to time by the allotment agencies i.e. APIIC / Urban Development Agencies / concerned local Statutory Authorities subject to the guidelines issued vide GO MS No. 571 Revenue (Assin.I) Dept. dt: 14/9/2012.

4. Promotion of “Electronics AP”

The new State of Andhra Pradesh has competitive advantage in terms of relatively lower land cost when compared to those in Hyderabad, Chennai and Bangalore. Keeping this in view, certain Promotion Initiatives are envisaged.

4.1 **Mega Electronics Event:** An Annual Mega Electronics Event shall be organized in the State in partnership with the industry. The Government would ensure that the event becomes a national event for showcasing and promoting the electronics industry in the country.

4.2 **Road Shows:** Road shows will be conducted in the United States, Japan, Germany, Korea, Taiwan and China for the promotion of the industry in the state. Joint delegations of the Industry and the State Government shall participate in various national and international Exhibitions / Conferences / Trade Shows relating to electronics, to attract investments into the state.

4.3 **Establish Electronics Bazaars:** Government of Andhra Pradesh proposes to set up “Electronics Bazaars” at Visakhapatnam, Vijayawada and Tirupati. The Electronics Bazaars would act as G2B / B2B / B2G / B2C Platforms for Electronic Products in the State. The Bazaars would also provide space for new product launches.

4.4 **Enhance Web Presence / Marketing:** An extensive web marketing campaign will be run with the help of a professional agency. The Campaign would focus on marketing and branding “Advantage AP.”

4.5 **Create widely known Points of Contact:** Government would create liaison offices in select locations for facilitating industry interactions.

4.6 Incentives to the Industry

a. **Technology & Market Support:** Government will support associations of electronic hardware manufacturers and exporters like IESA, ELCINA, ELIAP, for conducting surveys and / or research on trends in technology, market intelligence or on other work useful to the Electronic Hardware Industry.

b. **Business Networking and promotional events:** Government shall promote and encourage participation in national and international events by the industry and by leading a government-industry business delegation to identified Exhibitions and Conferences. Government would also undertake promotional events and road shows at various locations from time to time. A reimbursement / grant of 50% exhibition subsidy will be awarded for participating in the national / international exhibitions up to 9 sq.m. per unit.

5. Adoption of “Mission Approach”

5.1 **Empowered Mission for Electronics & IT Promotion:** An autonomous society, with headquarters at Visakhapatnam, would be created as an “Empowered Mission for Electronics & IT Promotion” to give fillip to the development of the

sector and take faster and agile decisions. The Mission would be headed by a technocrat and would have 3 experts in Electronics & IT, 2 academicians and an expert in Marketing & Promotion.

5.2 **Effective Single-Window System:** A high-level, empowered ‘Single Window Clearance Unit’ will be created and operationalized for granting approvals & clearances for setting up New Units and for expansion of the existing units in the State. It would be supported by a state-of-the-art centralized help desk on 24x7 basis duly leveraging the e-Biz portal set up by Gol. The objective of this window would be to (a) reduce time to set up business and (b) reduce cost of doing business.

5.3 **Time-bound Approvals:** The following procedural reform would be undertaken with an aim to provide approvals to the industry / investors within 4 weeks.

- a. Integrated Application for all permissions
- b. Escort Officer to be assigned the responsibility for getting approvals
- c. Escalation at various levels and regular monitoring

A provision shall be made in the relevant legislations or rules that in case the required approvals are not granted within 4 weeks of receipt of an application in full-shape, the approval shall be deemed to have been granted.

5.4 **Mission to Identify & work on Thrust Areas:** Based on industry demand, the Electronics & IT Mission would identify key thrust areas / segments in the Electronics Industry. Special focus would be laid for developing the ecosystem for these thrust areas. The indicative thrust areas are Fabless Semiconductors, Mobile, LED, Smart Meters, FPD TVs, Tablets, Base Stations, Smart Cards, Sensors, IOT.

5.5 **APIIC to be Industrial Area Local Authority (IALA):** All IT Industrial Areas / IT Layouts / Zones / Corridors, including Electronic Manufacturing Clusters (EMCs) and ITIR delineated processing areas of APIIC in the State shall be accorded the status of Industrial Authority Local Area (IALA) immediately so that the execution and maintenance of IT industrial areas shall be effectively planned, executed and implemented by APIIC in the interest of promotion of Electronics Sector. All statutory clearances in the Industrial Local Area would be given by APIIC.

6. Innovation & Capacity Building

6.1 **Establish COE on Fabless Semiconductors:** The Government aims at setting up a Centre of Excellence in design of Fabless Semiconductors in partnership with the industry and the premier academic institutions in the State.

6.2 **PhDs:** The State shall target to reach a level of producing 250 PhDs in Electronics by 2018 under the scheme approved by GoI.

6.3 **Skill Enhancement by MSMEs:** Assistance shall be provided to MSMEs with a minimum of 20 employees on its rolls by way of reimbursement of 50% of training fees, subject to a maximum ₹10,000 (INR Ten thousand only) per employee, on obtaining recognized certifications in emerging technologies. The assistance under this category shall be limited to ₹1 lakh (0.1 Million) per year per unit. Also, the Skill Development program

to be implemented through Junior Colleges, Polytechnics and ITIs would have an annual target of 8,000 students in Electronics sector by 2017.

6.4 Universities and Boards like Board of Intermediate Education will be advised to change the course curriculum to stay in tune with the emerging technologies and align to the requirements of the industry and also to introduce courses in skill and entrepreneurship development.

6.5 **Content Development:** Government would support 'content development' for online courses that would meet the current and future industry demands in association with Industry / Industry Associations / Academia and institutions such as SCERT, SIET, etc.

6.6 **Credits for Online Courses:** Universities will be advised to give credits to students successfully completing notified online courses.

6.7 **Faculty Upgradation:** A special scheme of faculty upgradation shall be introduced, at High School and Junior College Level, so as to align skill development courses with Electronics Industry for apprenticeship and eventual placements as part of Vocational Education.

6.8 Government would support the opening of premier institutes for electronics and hardware in partnership with top electronics companies and foreign universities.

6.9 **Mandatory Apprenticeship:** All educational institutions offering under-graduate courses in software engineering, electronics and computer sciences shall implement a mandatory scheme of internship / apprenticeship in the 4th year of the course in association with the Industry.

6.10 **Provision of Special Fund for Electronic Labs in Schools:** Considering the importance of Computer and Electronics Knowledge and to evolve this as a knowledge base at the school level, it is essential to set up a Fund to establish basic Electronic Labs. This would enable the school to conduct demonstrations and training to the students who envisage interest in electronics and thereby develop the basic electronic knowledge even before they get to the Diploma or Graduation courses.

This policy is valid till 2020 unless modified and supersedes the "Andhra Pradesh Electronics Hardware Policy 2012-17." This Policy would be reviewed and updated every year, if required, in consultation with the stakeholders.

ITE&C Department shall issue appropriate Implementation / Operational Guidelines with simplified application proforma and procedure for claiming of the incentives.

www.apit.ap.gov.in

A.P. GOVERNMENT ORDERS

Electronics Policy - G.O. Ms. No.:16, dated: 09-09-2014 of ITE&C Dept.
Limits enhanced vide - G.O. Ms. No.: 7, dated: 06-04-2015 of ITE&C Dept.



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