

## Gujarat Industrial Policy 2020 – A new Sunrise in Gujarat, the preferred investment destination

### Snapshot

The Government of Gujarat has released a press note announcing the Gujarat Industrial Policy, 2020 which is forward looking and will surely attract investments into the state.

Estimated Annual Outlay of INR 8,000 Cr.

Radical Step to delink the capital subsidy from the GST payable

Up to 12% capital subsidy with no ceiling limit

Single online application form for 26 different state related approvals

Special incentive for shifting base from other countries to Gujarat

Existing incentives continued with increased amounts

More incentives to Thrust sectors

Government Land on lease at subsidized rates

Incentives to MSMEs including support for technology adoption

Special Support to Start Ups

### Background

The Gujarat Industrial Policy (GIP), 2015 was scheduled to end on 31 December 2019 and was extended further till the declaration of the new Industrial Policy or 31 December 2020, whichever is earlier. The industries in Gujarat thrived under the GIP 2015 and thrust Gujarat as a top state in India in terms of increase in proposed investments and FDI Inflows, reduction in unemployment rates, overall industrial output etc.

Keeping in view the success of the previous Policy coupled with the vision of "Aatmanirbhar Bharat", the Gujarat Government has announced the GIP 2020 with an expected annual outlay of up to INR 8,000 Crores with a focus towards inclusive & balanced regional development, employment generation, increased productivity with Industry 4.0 manufacturing etc. to propel the state further towards "Aatmanirbhar Gujarat".

While the detailed Policy has not yet been published, the Government has released a Press Note stating that the GIP 2020 has enhanced certain existing incentives of GIP 2015 and certain new incentives have also been introduced. We have prepared the present update outlining the key aspects of the Policy, on the basis of the Press Note issued by the Government.

### Focus on Thrust Sectors

To provide more incentives to large enterprises involved in specific sectors, the government has identified 15 Thrust Sectors which have been further categorized into Core Sectors & Sunrise Sectors. These Thrust Sectors will be given incremental incentives as part of the Policy

**Core Sectors:** Sectors in which Gujarat already has a strong foothold & a potential to accelerate on a global scale. The identified Core Sectors include:

- a) Electrical machinery & equipment
- b) Industrial Machinery & equipment
- c) Auto & Auto Components
- d) Ceramics
- e) Technical Textiles
- f) Agro. & Food Processing
- g) Pharmaceuticals & Medical devices
- h) Gems & Jewelry
- i) Chemicals (in designated area)

**Sunrise Sectors:** Sectors which have a significant potential for technological advancement and can contribute to sustainable economic development. The Identified Sunrise Sectors include:

- a) Industry 4.0 manufacturing
- b) Electric Vehicle and its components
- c) Waste management projects
- d) Green Energy (Solar & Wind Equipment)
- e) Eco-friendly compostable material (substitutes to traditional plastics)
- f) 100% export-oriented units, irrespective of sector

### Fixed Capital Investment Subsidy

#### Features

A Capital Subsidy of up to 12% of the fixed capital investment ('FCI') will be available to large industries. The quantum of subsidy available shall depend on the location and the sector which has been summarized below:

Taluka	General Sectors	Thrust Sectors
Category – 1	10% of FCI	12% of FCI
Category – 2	8% of FCI	10% of FCI
Category – 3	4% of FCI	6% of FCI

#### Calculation of the benefit

- The above benefit will be disbursed over a period of 10 years
- The ceiling for an entity has been fixed at INR 40 Crores per year
- If the period of 10 years is not sufficient to disburse the entire subsidy due to the upper limit of INR 40 Crores, an additional period of 10 years will be provided with the same per annum ceiling
- If the period of 20 years is still not sufficient, then the total subsidy will be disbursed via equal installments over a period of 20 years (without a ceiling limit)

#### De-linking from SGST

- Earlier, the Capital subsidy was linked to the Net VAT Payable (before introduction of GST) and then the Net SGST payable (after introduction of GST) which involved computational difficulties. To make the entire process more transparent & less complex, this incentive has now been delinked from SGST.

- Further, under the old Policy, the maximum benefit that could be availed was based on the classification of the entity which was dependent upon the investment made by the entity such as:

Classification of Unit	Amount
Ultra-Mega Industrial Unit	INR 5,000 Crores
Mega Industrial Unit	INR 4,000 Crores
Large Industrial Unit	INR 1,500 Crores
Micro Small Medium Industrial Unit	INR 500 Crores

### Assistance to MSMEs

With the agenda to make MSMEs worthy of global competition, the state government has enhanced certain incentives already available to MSMEs and has also introduced new incentives.

#### New incentives

- Support of up to 65% of the cost of the foreign patented technology with a maximum ceiling limit of INR 50 Lakhs to assist MSMEs in matching the global standards.
- Incentives for implementation of ERP, Information & communication Technology, obtaining quality certifications including ZED certification, patent filing, Service line and Power Connection charges, Rent assistance etc.

#### Enhancement of existing incentives

Particulars	GIP 2015	GIP 2020
Capital Subsidy	Ranging from 10% - 20% of loan; Ceiling limit of 15 - 25 Lakhs	Up to 25% of the eligible loan amount; Ceiling of 35 lakhs. If capital investment > 10 Cr, additional subsidy of 10 Lakhs
Interest Subsidy	Up to 7% of term loan; ceiling of INR <b>30 Lakhs</b> p.a.; available for <b>5 years</b>	Up to 7% of term loan; ceiling of INR <b>35 Lakhs</b> p.a.; available for <b>7 years</b> . The benefit has been extended to service sector MSMEs* also
Additional 1% Interest Subsidy	Physically challenged, women and young entrepreneurs	Physically challenged, women, SC / ST and young entrepreneurs. Also Start Ups in manufacturing sector
Market Development	60% of stall rent up to INR 4 lakh	75% of stall rent up to INR 2 lakhs for exhibitions in India & 60% of stall rent up to INR 5 lakhs for exhibitions outside India.
Energy Accounting	Generated solar energy to be consumed within 15-minute time block	Generated solar energy to be consumed within 7AM to 6 PM time block. Existing industries who switch to Solar Power, interest Subsidy will be provided on term loan
Solar power price	INR 1.75/unit	INR 2.25/unit

\* including those engaged in Financial, Healthcare, Audio Visual, Construction related engineering, Environmental services etc.

The quantum of benefit available now would depend upon whether the industry belongs to the Thrust Sectors or not. Interestingly, it is proposed that the capital subsidy shall not have a ceiling limit. This will make Gujarat a much more lucrative investment destination for highly capital-intensive industries.

#### Electricity Duty Exemption

The Electricity duty exemption for new industries will also continue for the coming 5 years.

#### Policy for large enterprises in service sector

The Government is also working on a Service sector Policy for large enterprises.

While the enhanced incentives for MSMEs under the new Policy are likely to play a big role in the development of MSME sector in Gujarat, the fact that the definition of MSME under the GIP, 2020 shall be in line with the definition amended by the Central Government recently will also have a huge positive impact on the MSME sector since more entities will now be eligible for the benefits.

### Balanced Regional Development

To facilitate balanced regional development industries will get Government land on a long-term lease of up to 50 years which the industries will be able to mortgage. The lease rent shall be 6% of the market rate of the land.

Other incremental benefits shall also be provided to MSMEs and large industries setting up operations in less developed talukas.

### Assistance to Start ups

Added support shall be provided to the Startups of the state. Following incentives provided under GIP 2015 have been enhanced:

Particulars	GIP 2015	GIP 2020
Seed Support	INR 20 Lakhs	INR 30 Lakhs
Sustenance Allowance	INR 10,000 per month for one year	INR 20,000 per month per startup for one year & INR 25,000 per month per startup for one year for start-ups having 1 or more woman co-founders
Mentoring assistance	Up to 5 lakhs to the institutions	INR 1 lakh per startup to recognized Nodal Institutes (Limit of INR 15 lakhs p.a. per institute)

### Other Start-up related incentives

- A separate fund shall be created under Gujarat Venture Finance Limited for mid-level Pre-Series A funding of startups.

- Startups will get additional 1% Interest subsidy
- Grant of up to INR 10 lakhs for startups which have a significant impact on society.
- Additional fiscal support of up to INR 3 lakhs per startup to enroll for national/international recognized acceleration programs.
- Funding of up to INR 1 lakh per startup will be provided for trainings specific to Managerial Training, Soft Skills, Marketing skills, Fundraising, Finance on reimbursement basis.

### Relocation Incentives

The Gujarat Government plans to use the changing global scenario pursuant to CoVID-19 to its advantage by providing special incentives on a case to case basis, to companies planning to relocate their operations from other countries and/or diversifying their supply chain.

### Research & Innovation

Support of up to INR 5 crores to private companies/institutions for setting up R&D and product development centers in Gujarat

Assistance at 50% of project cost (excluding cost of land and building) with a ceiling limit of INR 50 lakhs for Contract/Sponsored research work from any industrial enterprise/Industrial association to recognized R&D institution / technical collages.

### Development of Industrial Infrastructure

- Incentive at the rate of 25% of FCI with a ceiling of INR 30 crores to private developers setting up Private Industrial Parks in the state
- For Industrial Parks set up in Vanbandhu (less developed) Talukas, the incentive shall be at the rate of 50% of FCI with the same ceiling

- 100% Stamp duty reimbursements to developers and 50% Stamp duty reimbursements to individual units
- Financial assistance of up to 80% of the Project Cost up to INR 25 Crores shall be provided for setting up Industrial Infrastructure such as construction and upgradation of roads, warehousing facilities, fire stations, underground utilities, etc.
- 80% of financial assistance shall be provided up to INR 25 crores for Dormitory Housing in manufacturing clusters.

### Sustainable manufacturing

#### Zero Liquid Discharge plants

50% of capital subsidy up to INR 75 lakhs will be given to industries practicing at least 50% waste recovery through Zero Liquid Discharge as certified by GPCB.

#### Assistance for Cleaner production measures

Industries implementing cleaner production technology in place of existing process such as substitution & optimization of raw material, reduction in water consumption or energy consumption or waste generation shall be incentivized.

The quantum of this incentive i.e. 35% of cost of plant & machinery for MSMEs (10% for large units) with a ceiling of INR 35 lakhs as was available in GIP 2015, remains unchanged.

### Common Environment infrastructure

- Common Environment Infrastructure facilities increased from 25% under GIP 2015 to 40% of the project cost with a ceiling of INR 50 crore
- Assistance of up to 25% of project cost up to INR 25 crores for setting up/ relocation / retrofitting of existing polluting industrial units into Green Industrial Estates

- Common Boiler Project by an SPV constituted by minimum 10 MSME's will receive incentives up to 50% of fixed installation cost up to INR 2 crore

### Skills development & training support

Government will undertake a gap analysis of skill requirement of industries & available workers which will help create a roadmap to bridge the gap by training local population in relevant skills

Fiscal support to be provided for setting up skill development anchor institutes, specialized skill development and upgradations centers, etc.

Incentive of up to INR 15000 per person per training to be provided for skill enhancement

### Other features of GIP, 2020

Investment Facilitation Portal - One "Mega Online Permission" application form for 26 different state related approvals

Streamlining Central Inspection System to further bring transparency and facilitate ease of doing business

A dedicated organization "GARUD" has been formed to ensure easy movement of goods within & outside the state and increase exports

Infrastructure created under this authority will help industries to incur less production costs to have a competitive edge against other developing economies.

Dedicated Relationship Managers by iNDEXT-b who will be the single point of contact for all government related queries & approvals

### Pipeline projects under GIP 2015

Projects which are already under various stages of implementation under the GIP 2015, will be eligible for benefits under the GIP 2015 provided that manufacturing concerns commission within 1 year and common infrastructure projects commission within 2 years from the date of release of New GIP, 2020.

### KCM Note

The announcement with respect to the new Gujarat Industrial Policy, 2020 is certainly forward looking as it proposes to introduce not only new incentives, but it also enhances many incentives which were available in the previous Policy.

The step taken to delink the capital subsidy for the large enterprises with no upper limit is a radical and a bold step to attract new investments in the state. Looking at the success of the previous Policy, the Government seems to have taken a conscious decision to continue the measures with an increased benefit. Apart from that the additional incentives announced with respect to development of industrial and common

environment infrastructure etc. would go a long way in sustainable development in the state. Along with attracting investments, the Policy also promises steps to upskill the workers of the state to make the ends meet.

The Press Note covers the highlights of the incentives that will be provided in the GIP, 2020, however, the eligibility and other conditions to avail the benefits of the new Policy shall be known from the final Policy document, to be released later by the Government. Once the final Policy along with the necessary Government Resolution is released, it will be imperative to evaluate the eligibility in light of the fine print of the Policy.

*This publication is prepared exclusively for the benefit and use of the clients of K. C. Mehta & Co. This should not be used as a substitute for professional advice. Reasonable care has been taken for ensuring the accuracy and the authenticity of the contents of this publication. However, we do not take any responsibility for any error or omission contained therein on any account. It is recommended that the readers should take professional advice before acting on the same. No part of this document may be reproduced in whole or in part in any manner without prior written permission from K. C. Mehta & Co.*

*For further analysis and discussion, you may please reach out to us.*

### Locations

#### Ahmedabad

**Arpit Jain**

Level 11, Tower B,  
Ratnaakar Nine Square,  
Vastrapur,  
Ahmedabad - 380 015

Phone: + 91 79 4910 2200  
[arpit.jain@kcmehtha.com](mailto:arpit.jain@kcmehtha.com)

#### Bengaluru

**Payal Shah**

19/4, Between 7th & 8th Cross,  
Malleswaram,  
Bengaluru - 560 003

Phone: +91 80 2356 1880  
[payal.shah@kcmehtha.com](mailto:payal.shah@kcmehtha.com)

#### Mumbai

**Vishal Doshi**

508, The Summit Business Bay,  
Nr. WEH Metro Station,  
Gundavali, Andheri East,  
Mumbai - 400069

Phone: +91 22 2612 5834  
[vishal.doshi@kcmehtha.com](mailto:vishal.doshi@kcmehtha.com)

#### Vadodara

**Milin Mehta**

Meghdhanush,  
Race Course,  
Vadodara - 390 007

Phone: +91 265 2440400  
[milin.mehta@kcmehtha.com](mailto:milin.mehta@kcmehtha.com)

Independent Member of

**B K R**  
INTERNATIONAL