

Gujarat Industrial Policy 2020:

**Propelling Gujarat`s Industries
for an Atmanirbhar Gujarat**

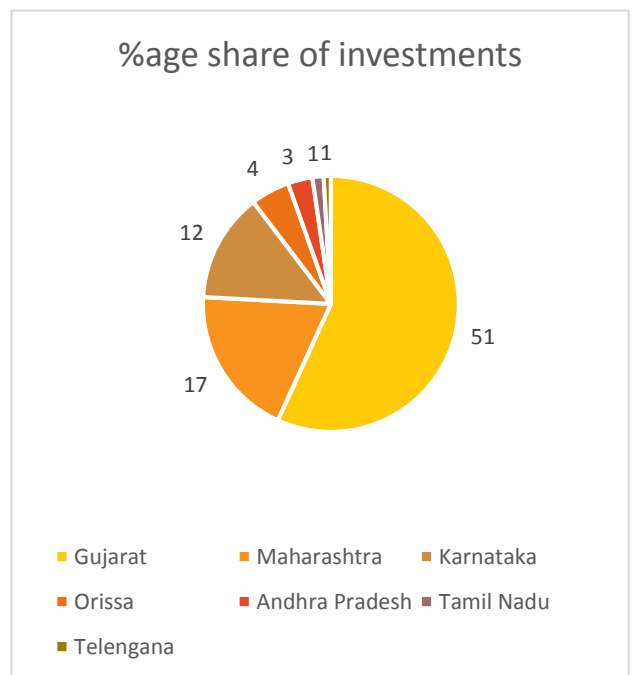
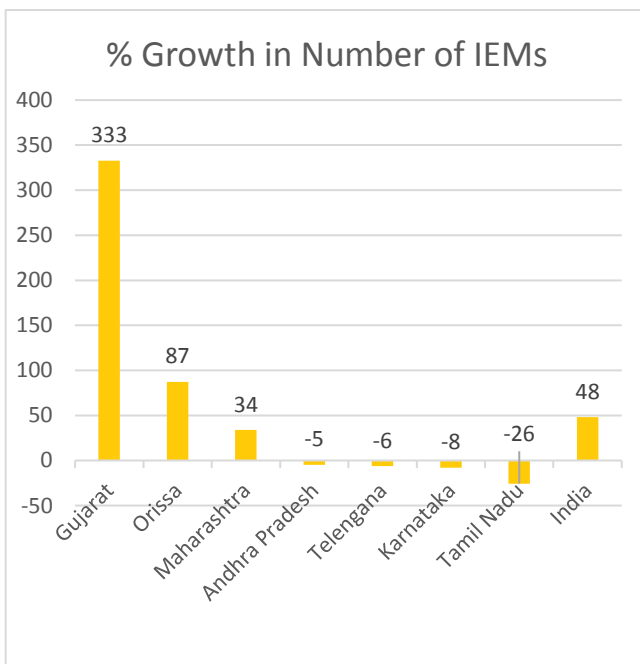


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Industrial Policy 2020: Propelling Gujarat's Industries for an Atmanirbhar Gujarat

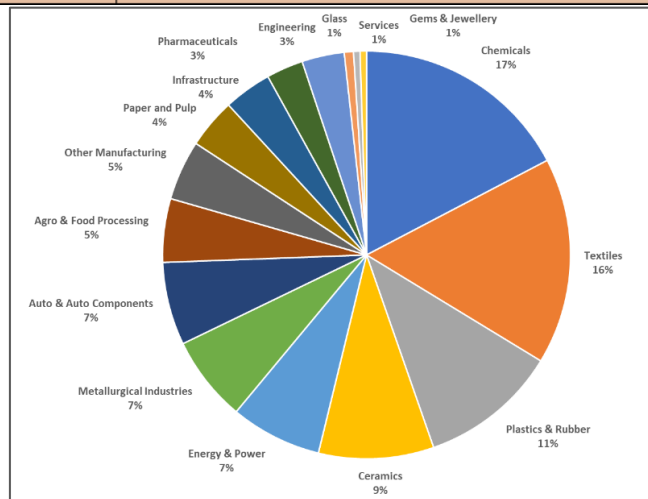
7 August 2020

- Gujarat Industrial Policy 2015 has come to an end as on 31st December 2019. It was further extended up to the date of release of new policy or 31st December 2020 whichever is earlier.
- The Gujarat Industrial Policy 2015 comes to an end and has supported overall industrial development across the state.
- The success of the policy can be evaluated by the following key points:
 1. Gujarat stands 1st in terms of nos. of IEMs (Industrial Entrepreneurship Memorandum) filed & actual investment reported for 2019 with ~51% share of IEMs filed in India in terms of value with a proposed investment of USD 49 Bn as per the data released by DPIIT, Govt of India.
 2. While India saw an increase of 48% in proposed investments (IEMs) in 2019, **Gujarat recorded a growth of 333% over previous year.**



The investments have also been in diversified sectors including textiles, chemicals, auto & auto components, plastics, energy & power, food processing amongst others

Sector	Companies
Auto component manufacturing	<ul style="list-style-type: none"> Somic Zf Components Pvt. Ltd. (JV between Somic Ishikawa Inc, Japan & ZF Friedrichshafen AG, Germany) Motherson Sumi Systems Ltd .
Injection moulding manufacturing	<ul style="list-style-type: none"> Sekisui Dilm Molding Pvt. Ltd. (JV between M/s Sekisui Chemical Ltd. Japan & M/s Dipty Lal Judge Mal Pvt. Ltd. India)
Wires and cable manufacturing	<ul style="list-style-type: none"> PolyCab India Ltd.
Wind Turbine blades manufacturing	<ul style="list-style-type: none"> Senvion Wind Technology Pvt. Ltd
Engineering	<ul style="list-style-type: none"> Macwell Auto Engineering Pvt. Ltd.
Renewable energy	<ul style="list-style-type: none"> Abellon Co Gen Limited
Chemicals	<ul style="list-style-type: none"> Deedy Chemicals Pvt. Ltd Granula Masterbatches India Pvt. Ltd. Phillips Carbon Black Ltd
Textiles	<ul style="list-style-type: none"> Swan Medicot LLP Creative Garments Pvt. Ltd Kamadgiri Fashion Limited
Paper products	<ul style="list-style-type: none"> Letra Graphix Pvt Ltd.
Metallurgy industry	<ul style="list-style-type: none"> Doms Industries Pvt. Ltd.
Pharmaceutical	<ul style="list-style-type: none"> Aculife Healthcare Pvt. Ltd



- In FY 2019-20; Gujarat saw the **highest national increment of 240% in FDI** inflows from previous year as against a growth of 14% in FDI in India.
- Gujarat also has the lowest unemployment rates in the entire country @3.4% as per survey report by National Statistical Office, Govt. of India.

State/UT	% unemployment Urban - Person
Gujarat	3.4
Karnataka	5.3
Maharashtra	6.6
Tamil Nadu	7.2
Andhra Pradesh	7.8
Haryana	9
Kerala	11
Telangana	11.5
All-India	8

The number of MSMEs in Gujarat grew by 60% from 2014-2015 and currently, Gujarat is home to over 3.5 million MSMEs which are a major source of employment and form an important part in the larger industrial ecosystem.

- If you look at National Statistics,
 1. Gujarat stands first in India in terms of Industrial Output with ~17% of India's output
 2. The state has been recognized as Best Performer State in State Startup Ranking 2018 by DPIIT, Govt of India
 3. Ranked No. 1 in the Logistics Performance Index and LEADS Index by Ministry of Commerce, Government of India in year 2019
- Gujarat has witnessed 13% growth in GDP at current prices in 2019-20 over previous year. Gujarat has been constantly achieving double digit growth rate. In the last 5 years, the state registered an average growth rate of 10.14% at constant price.
- If we look at subsidy amount, it has increased almost 3 times in the last five years showing an exponential growth.
- **Considering similar growth patterns, it is expected that the average annual outlay for the New Gujarat Industrial Policy 2020 will be upto INR 8,000 crore**
- The new Gujarat Industrial Policy 2020 has been formed to further consolidate this momentum and enhance the current growth rate. Focused efforts have been made for supporting jobs, value addition across sectors, adoption of state-of-the-art technology, increase productivity with Industry 4.0 manufacturing, innovation driven ecosystem with focus on research and development so as to propel the state further towards **"Atmanirbhar Gujarat"**. **This will enable the shaping of a Modern Gujarat that spearheads the vision of a Modern India.**
- We have made consistent efforts to have more balanced growth with respect to regions and sectors.

Gujarat's strength is in its constant dialogue with its strong and diversified stakeholders, i.e. Industry, Industrial associations, chambers and academia.

- We had constituted 9 task force committees that held several rounds of serious and productive meetings that helped us to come up with constructive suggestions for the New Gujarat Industrial Policy 2020.
- The policy incorporates most of the suggestions indicated by the industry at large, keeping in mind the Global and National manufacturing trends and sectors.

The key focus of the policy is towards inclusive & balanced regional development, employment generation, Next generation Industry 4.0 led manufacturing so as to contribute significantly to the vision of "Aatmanirbhar Bharat" as laid out by the Hon'ble Prime Minister of India.

- As the figures speak for themselves, there has been very fast growth in our vibrant state and therefore manifold features of the Gujarat Industrial Policy 2015 have been continued. However, some of the important features where modifications have been made are as follows:

1. Thrust Sectors:

15 Thrust Sectors have been conceptualized with a view on global investment trends, the need for strengthening the integrated value chains, exports, policies by government of India, NITI Aayog etc. The thrust sectors have been categorized in two major groups i.e Core sectors & Sunrise Sectors. Core sectors include areas where Gujarat already has a strong manufacturing base and has potential to accelerate further on a global scale. Sunrise Sectors are sectors which have a significant potential for technological advancement and can contribute to sustainable economic development. Thrust sectors will be given incremental incentives as part of the policy.

Core Sectors	<ol style="list-style-type: none">1. Electrical machinery & equipment2. Industrial Machinery & equipment3. Auto & Auto Components4. Ceramics5. Technical Textiles6. Agro & Food Processing7. Pharmaceuticals & Medical devices8. Gems & Jewelry9. Chemicals (in designated area)
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Sunrise Sectors	<ol style="list-style-type: none">1. Industry 4.0 manufacturing2. Electric Vehicle and its components3. Waste management projects4. Green Energy (Solar & Wind Equipment)5. Eco-friendly compostable material (substitutes to traditional plastics)6. 100% export oriented units, irrespective of sector
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2. Capital Subsidy:

Since GST has been implemented, companies were being compensated as per “Net SGST” on goods sold within the state. There were several complexities in calculation of the tax of goods consumed within the state.

Hence, Gujarat is the first state to undertake a bold decision to de-link incentives from SGST. Upto 12% of fixed Capital investment will be given to large industries for setting up manufacturing operations in the state in the form of capital subsidy. Therefore, the incentive amount will now be more predictable and transparent and thus help industry to take fast decisions.

There is no upper ceiling on the amount of incentive to be given to any particular unit. This will help in grounding major investments in the state.

Taluka Category	General Sectors	Thrust Sectors (15)
Category 1	• 10% of FCI	• 12% of FCI
Category 2	• 8% of FCI	• 10% of FCI
Category 3	• 4% of FCI	• 6% of FCI

- This benefit will be given over a period of 10 years subject to annual ceiling of INR 40 Crore.
- If the eligible cash subsidy could not be disbursed within period of 10 years due to upper ceiling of Rs. 40 cr per annum, for such unit the eligible period of 10 years will be extended upto additional 10 years with the condition that annual ceiling will remain Rs. 40 cr per annum.
- If the eligible cash subsidy is not disbursable within period of 20 years due to upper ceiling of Rs. 40 cr per annum, the total entitlement of cash subsidy will be disbursed in equal installments of 20 years without any upper ceiling

Besides this, new industries will continue to get exemption from Electricity Duty for 5 years.

With this, Gujarat will be giving significantly high incentives to industries as compared to other states.

3. MSMEs:

MSME definition will be in alignment with the Government of India definition so that a large number of units may take advantages of the provisions under MSME policies.

The policy focuses to promote MSMEs with an aim to make domestic MSMEs globally competitive. Government will support MSMEs in upgradation of technologies, adopting globally accepted certifications and in marketing their products internationally.

3.1 Capital Subsidy: MSMEs will be eligible for **Capital Subsidy upto 25% of eligible loan amount upto INR 35 lakhs**. Additionally, if the eligible fixed capital investment is above INR 10 crores, the unit will be eligible for an **additional capital subsidy upto INR 10 lakhs**.

3.2 Interest Subsidy: MSMEs will be eligible for Interest subsidy upto 7% of interest levied on term loan upto INR 35 lakhs per annum for a period upto 7 years.

1% additional interest subsidy to SC/ST Entrepreneur/ physically challenged entrepreneur/ Women entrepreneur/ Start Up in manufacturing sector.

Besides this, 1% additional interest subsidy to young entrepreneur below age of 35 years on the date of sanction of loan

3.3 Service Sector MSMEs: Service sector is a major contributor to the national GDP. Many services are key inputs for facilitating other primary and secondary industries. **The New Gujarat Industrial Policy 2020 will offer interest subsidy upto 7% upto INR 35 lakhs per annum for a period upto 7 years to these service sector MSMEs in the state including those engaged in Financial Services, Healthcare Services, Audio Visual services, Construction related engineering services, Environmental services etc.**

Simultaneously, the state is working on a Service sector policy for large enterprises.

3.4 Acquisition of foreign technologies by MSMEs: The government for the first time, will provide support upto **65% of the cost of acquiring foreign patented technologies. (Maximum support upto INR 50 lakh)**. This will help raise the manufacturing prowess of our MSMEs making them globally competitive.

3.5 Market development assistance to MSMEs: In order to encourage MSMEs to market their products at a national & international level, the new Industrial Policy will provide fiscal assistance to **MSMEs @75% of stall rent upto INR 2 lakh for exhibitions in India and @60% of stall rent upto INR 5 lakh for exhibitions outside India.**

3.6 Encouraging MSMEs to use Solar Power: With an aim to further ease the process of utilizing rooftop Solar Power in MSMEs, the power cycle for calculation of consumption of units has been increased from 15 minutes to 7 AM - 6 PM. Also, for purchase of surplus solar power from MSMEs, the price has been increased from INR 1.75/unit to INR 2.25/unit. **Additionally, existing industries who switch to Solar Power, Interest Subsidy will be provided on term loan**

3.7 Besides these, Incentives will be given to MSMEs for implementation of Enterprise Resource Planning (ERP), Information & communication Technology, obtaining quality certifications including ZED certification, patent filing, Service line and Power Connection charges, Rent assistance etc.

4. Government land to be given on long term lease basis:

In order to further give a thrust to a balanced regional development in the state, the government will facilitate industries in getting "Government Land" on **long term lease upto 50 years** (*further extendible as per prevailing policy*) to industrial enterprises **@6% of the market rate**. The industries will be able to mortgage the land.

5. Balanced Regional Development:

In order to promote a balanced regional development in the state the incentives to all MSMEs as well as large industries have been categorized based on industrial development in respective talukas. **Incremental benefits** will be given to industries setting up operations in industrially less developed talukas

6. Support to Startups:

- 6.1 **Seed support** has been increased from INR 20 lakh to upto INR 30 lakh.
- 6.2 **Sustenance Allowance** has been increased from INR 10,000 per month for one year to INR 20,000 per month per startup for one year & INR 25,000 per month per startup for one year for start-ups having at least 1 woman co-founder.
- 6.3 Additionally, for mid-level **Pre-Series A funding** of startups, a separate fund shall be created under Gujarat Venture Finance Limited (GVFL). Besides this, the startups will get additional 1% Interest subsidy (i.e. upto 9% on term loans).
- 6.4 Additional grant of upto **INR 10 lakh for startups with significant impact on society.**
- 6.5 Additional fiscal support upto INR 3 lakh per startup will be provided to enroll for national/international recognized acceleration programs.
- 6.6 **Soft skill assistance: Funding of upto INR 1 lakh per startup for trainings specific to “Managerial Training, Soft Skills, Marketing skills, Fundraising, Finance” on reimbursement basis**
- 6.7 **Mentoring assistance of INR 1 lakh per startup will be given to recognized Nodal Institutes (maximum INR 15 lakh per annum per institute)**

7. Relocation incentives:

In light of CoVID-19, several industries are planning to relocate their operations and/or diversify supply chains. Gujarat will offer Special Incentives to such companies planning to relocate from other countries.

8. Research & Innovation

- 8.1 Research & Innovation plays an important role in development of a robust industrial ecosystem. Therefore, we have consciously focused on development of new R&D institutions. The policy will provide support upto **INR 5 crore to private companies/institutions** for setting up R&D and product development centres
- 8.2 Assistance for Contract/Sponsored research work from any industrial enterprise/Industrial association to recognized R&D institution / technical colleges approved by AICTE, will be considered **@ 50% of project cost**, excluding cost of land and building, subject to maximum **Rs. 50 Lakhs**

9. Development of Industrial Infrastructure:

- 9.1 Policy will provide incentives to private developers for setting up Private Industrial Parks in the state @25% of Fixed Capital Investment upto INR 30 crore. In case of Vanbandhu Talukas, the policy will support setting up of industrial parks @50% of Fixed Capital Investment upto INR 30 crore. This will support industrial infrastructure creation & developing last-mile connectivity. Stamp Duty reimbursements will be given to developers (100% of Stamp Duty) and individual units (50% of stamp duty).
- 9.2 In order to promote clusters, financial assistance of up to 80% of the Project Cost upto INR 25 Crore for set up of Industrial Infrastructure such as construction and up gradation of roads, warehousing facilities, fire stations, underground utilities, etc. will be provided.
- 9.3 The policy will provide 80% of financial assistance upto INR 25 crore for Dormitory Housing in manufacturing clusters in order to provide better living conditions for labourers in industrial clusters.

10. Sustainable Manufacturing:

- 10.1 Upto INR 75 lakh for Zero Liquid Discharge plants: 50% of capital subsidy upto INR 75 lakhs will be given to industries practicing at least 50% waste recovery through Zero Liquid Discharge as certified by GPCB.
- 10.2 Assistance for Cleaner production measures: The policy will give Incentives to MSMEs @35% of cost of Plant & machinery and to large units @10% of cost of Plant & machinery (maximum: INR 35 lakh) for Implementation of 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

11. Common Environment Infrastructure:

- 11.1 Support for Common environment infrastructure facilities increased from existing 25% to 40% of the project cost upto INR 50 crore
- 11.2 Development of Green Estates: Assistance of up to 25% of project cost upto INR 25 crore for set up/ relocation / retrofitting of existing polluting industrial units into Green Industrial Estates
- 11.3 Common Boiler Project by SPV constituted by minimum 10 MSME's will receive incentives upto 50% of fixed installation cost upto INR 2 crore.

12. Skilling and Training Support:

The state will undertake a gap analysis of Skill requirement of industries & available workers across various sectors in the state. This will help create a roadmap for training local population in relevant skills and thus bridge the gap.

State will also give fiscal support in setting up Skill development Anchor institutes, specialized skill development centres, Skill upgradation centres etc.

Besides this, the policy will give incentives for skill enhancement upto INR 15000 per person per training.

13. A dedicated organization "GARUD" has been formed by the state government to ensure easy movements of goods inter & intra state and increase exports. The infrastructure created under this authority will support industries to incur less production costs and therefore will have a competitive edge against other developing economies.
14. **Dedicated "Relationship Managers"** will be nominated by Industrial Extension Bureau (iNDEXTb) for investors as single point of contacts for all government related queries & approvals.
15. **Investor Facilitation Portal (IFP) – Mega Online Permission:** Almost 5 lakh applications have been processed from state Single Window: Investor Facilitation Portal (IFP). To further strengthen the Ease of Doing Business Environment in the state, a framework for "**Mega Permission**" is being prepared, which requires investor to submit only **one application form** for 26 different state related approvals and compliances to be processed in an expedited manner.
16. **Centralized Inspection System:** The state has also initiated the process for streamlining Central Inspection System to further bring transparency and facilitate ease of doing business.
17. Pipeline enterprises: New projects which are already under various stages of implementation, will be eligible under the previous policy (Gujarat Industrial Policy 2015). Such manufacturing projects will need to commission within 1 year and common infrastructure projects will need to commission within 2 years from the date of release of New Gujarat Industrial Policy 2020.