

# Maharashtra government lays down Industrial Policy 2019

Issued on: 01 May 2019

## Summary

The Maharashtra government has laid down its Industrial Policy 2019<sup>1</sup> (Policy), which shall be valid for a period of five years starting from 1 April 2019. The Policy aims to make Maharashtra a global investment, manufacturing and technology hub. It also lays down proposals to augment the existing manufacturing ecosystem while simultaneously focusing on employment creation in the state.

## Targets proposed to be achieved by 2023-24

	To attain manufacturing sector growth rate of 12% to 13% to reach Gross State Domestic Product share of 25%
	To attract investments worth INR 10 lakh crore
	To create employment opportunities for 40 lakh people

## Promotion of thrust sectors

The Policy identifies key thrust sectors to steer industrial development towards high-tech emerging sectors and to generate employment. These sectors shall be accorded priority in land allotment and incentives.

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<sup>1</sup> Notification dated 07 March 2019

<b>Auto sector</b>	<ul style="list-style-type: none"> <li>• Electric vehicles (manufacturing, infrastructure and servicing)</li> </ul>
<b>Tech sector</b>	<ul style="list-style-type: none"> <li>• Industry 4.0 (artificial intelligence, 3D printing, internet of things and robotics, nanotechnology, etc.)</li> <li>• Integrated data centre parks (IDCP)</li> <li>• Information technology (IT) and IT-enabled services (ITeS)</li> <li>• Electronic systems design and manufacturing (ESDM) and semiconductor fabrication (FAB)</li> </ul>
<b>Power sector</b>	<ul style="list-style-type: none"> <li>• Green energy/biofuel production</li> <li>• Nuclear power plant equipment manufacturing</li> </ul>
<b>Agro sector</b>	<ul style="list-style-type: none"> <li>• Agro and food processing (secondary and tertiary food processing) units</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>• Aerospace and defence manufacturing</li> <li>• Textile machinery manufacturing</li> <li>• Logistics and warehousing</li> <li>• Sports and gym equipment manufacturing</li> <li>• Mineral/forest-based industries</li> <li>• Biotechnology and medical and diagnostic devices manufacturing</li> </ul>

The Policy grants incentives by way of refund of State Goods and Services Tax (SGST) etc., for a maximum of 10 years (excluding investment in land and building) for IDCPs.

## **Promotion of micro, small and medium enterprises (MSMEs) and small industries**

The Policy proposes increasing the investment limit (for incentive purposes) in fixed capital investment (FCI) applicable to small industrial units to INR 50 crore to enhance the ambit of small industries.

Besides district-wise identification of potential MSMEs, the Policy provides for consolidation of various MSME schemes into one scheme. Further, it provides for the following interventions for the MSME sector

### **Government support**

- Launch of new flagship scheme - Chief Minister Employment Generation Programme (CMEGP)
- Institutional support
- Cluster promotion
- Facilitating public funding

- Creation of advisory cell on insolvency and bankruptcy resolution

## Fiscal incentives

The Policy provides for a basket of incentives in the form of power tariff subsidy, interest subsidy, stamp duty exemption, electricity duty exemption, etc. However, it provides that the aggregate incentives to eligible MSME units shall not exceed the specified ceiling. The eligibility criteria for MSMEs is as follows:

Taluka/area classification	Maximum admissible FCI (INR crore)	Ceiling as a % of FCI	Eligibility period (Years)
A	MSME shall include units as per the MSMED Act, 2006, as well as the units with FCI of up to INR 50 crore	-	-
B		30%	7
C		40%	7
D		50%	10
D+		60%	10
Vidarbha, Marathwada, Ratnagiri, Sindhudurg and Dhule		80%	10
No industry districts, Naxalism-affected areas and aspirational districts <sup>2</sup>		100%	10

For eligible MSMEs and small industries, the Policy provides for Investment Promotion Subsidy on gross SGST paid by the unit on the first sale of eligible products billed and delivered to the same entity within Maharashtra.

## Promotion of large scale industries (LSIs)

LSIs are defined as industrial units having minimum FCI or direct employment as prescribed in the following table:

Taluka/area classification	Minimum admissible FCI (INR crore)	Minimum direct employment
A and B	750	1,000
C	500	750
D	250	500
D+	150	400
Vidarbha, Marathwada, Ratnagiri, Sindhudurg and Dhule	100	300

<sup>2</sup> Aspirational districts are Osmanabad, Gadchiroli, Washim and Nandurbar

No industry districts, Naxalism affected areas and aspirational districts <sup>2</sup>	100	250
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- The Policy provides for incentives, in the form of Industrial Promotion Subsidies (IPS) investment promotion subsidy, stamp duty exemption and electricity duty exemption, to LSIs in a graded manner to ensure the dispersal of investment to industrially under-developed areas.
- For units having investment of more than INR 50 crores but up to the minimum investment applicable to LSIs, the Policy provides for IPS of 40% of the SGST paid for the first sale of goods sold in Maharashtra and billed and delivered to the same entity.
- For eligible LSIs, the Policy provides for IPS of gross SGST paid by the unit on the first sale of eligible products billed and delivered to the same entity within Maharashtra. The incentives will be given to the LSI units on a first-come, first-serve basis.

### Promotion of mega and ultra-mega projects

Industrial units having the following prescribed minimum FCI or direct employment shall be classified as mega projects /ultra-mega projects.

Type of unit	Taluka/area classification	Minimum admissible FCI (INR crore)	Minimum direct employment
Mega industrial units	A and B	1,500	2,000
	C	1,000	1,500
	D	750	1,000
	D+	500	750
	Vidarbha, Marathwada, Ratnagiri, Sindhudurg and Dhule	350	500
	No industry districts, Naxalism affected areas and aspirational districts <sup>2</sup>	200	350
Ultra-mega industrial units	Entire state	4,000	4,000

Besides the above, the Policy provides for certain additional conditions for mega and ultra-mega projects:

- They are required to maintain the qualifying direct employment on the rolls of the company throughout the year. If the employment criteria are not maintained for any period of the year, then IPS shall not be admissible for such year(s). Further, minimum direct employment should be created within a period of three years from the date of commercial production.
- Investment in captive power plant shall not be considered for determining the qualifying criteria for eligibility as a mega project/ultra-mega project.
- 100% captive process vendor (CPV) investment can be considered as a part of admissible FCI. However, CPV investment will not be counted for determining the qualifying criteria as mega/ultra-mega projects.
- The present Policy of the Maharashtra Industrial Development Corporation allotting plots on a priority basis to mega and ultra-mega projects shall be continued.
- A high power committee needs to be constituted to approve the customised package of incentives on a case-to-case basis.

### **Apex Institute for Promotion of Entrepreneurship**

- The Policy provides for the creation of an Apex Entrepreneurship Development Institute of Maharashtra near Mumbai.
- The institute will be the state's apex institute to promote entrepreneurship and will conduct:
  - management programmes
  - sector-specific skilling programmes
  - hands-on training
  - mentoring to promote new-generation entrepreneurs and start-ups, etc.

### **Revival and unlocking assets tied up in closed units – Amnesty scheme**

- The State Government shall bring in an amnesty scheme to be operationalised for a limited period for government dues and penalties. As per the scheme, unviable and closed units shall be allowed to settle all the state government dues (including those of agencies of the state government) by paying the entire

principal amount in one instalment and complete waiver of interest and/or penalty thereon.

- Further, an online portal shall be operationalised wherein all state government dues of units shall be displayed.
- The settlement of dues of financial institutions (including those of Maharashtra State Finance Corporation) is subject to guidelines issued by the Reserve Bank of India. However, the state government shall coordinate with financial institutions for early resolution of such dues.
- Maharashtra State Finance Corporation (MSFC) shall also announce an attractive one-time settlement (OTS) scheme.

## **Other schemes under the Policy**

Besides the above, the Policy also covers schemes related to the following:

- Green industrialisation assistance to eligible units for undertaking measures to conserve water, energy and environment
- Promotion of research and development
- Promotion of start-up ecosystem
- Facilitating ease of doing business in the state
- Export promotion
- State-level Udyog Awards

## **Our comments**

The Policy adopts a pragmatic approach to usher in accelerated industrial growth and sustainable development in Maharashtra and would go a long way in strengthening the state's contribution to the national economy. Some of the proposals like creating an institute for promotion of entrepreneurship, providing green industrialisation assistance to eligible units, promoting an ecosystem for start-ups, reviving and unlocking assets tied up in closed units and introducing an amnesty scheme will further aid in achieving the desired objective.

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