



Reimagining Andhra Pradesh
IT Policy 2014-2020
Electronics Policy 2014-2020
Innovation & Startup Policy 2014-2020





NARA CHANDRABABU NAIDU

HON'BLE CHIEF MINISTER
OF ANDHRA PRADESH

MESSAGE

The Government of Andhra Pradesh is determined to script its development journey while incorporating Information Technology at each level and attain leadership position in the current age.

The Government aims to use e-Governance as a tool to provide integrated services to its citizens through a free flow of information, and to be a role model in Good Governance. Based on the Blueprint document, the State Government has formulated three core policies; IT, Electronics and Innovation & Start-up.

IT policy is based on key four pillars, namely, Human Capital, Infrastructure, Incentives and above all, a system of Good Governance. The policy envisages abundant investment opportunities for the industry, employment generation and enhancing productivity and competitiveness.

With the Electronics policy, Government intends to make Electronics industry as the growth engine while effectively utilizing the huge talent pool and skilled manpower of Andhra Pradesh.

For the development of Innovation, entrepreneurship and start-up culture in the State, The Government has set up an Innovation & Capacity Building Mission. Through this the State envisages to create the culture of research, innovation and entrepreneurship. This would contribute to increased knowledge, wealth and employment in our society.

I am certain that these three policies, prepared with due deliberations and consultation with the industry and thought leaders, would act as a strong foundation for the development of the State in the coming years.

[N. CHANDRABABU NAIDU]



DR. PALLE RAGHUNATHA REDDY, MSc, MPhil, PhD

HON'BLE MINISTER, GoAP
Information & Public Relations,
Information Technology, Electronics & Communications,
Non-resident Indian Empowerment & Relations,
Telugu Language & Culture,
Minority Welfare & Empowerment

MESSAGE

The state firmly believes that technology is the backbone of economy and hence has developed an inclusive Blueprint for development of Electronics & ICT Industry in the State.

Taking cues from the Blueprint, ITE&C Department has come out with three comprehensive policies. The IT Policy being an umbrella concept provides lucrative incentives for setting up industries in all locations in the State. The Policy aims to enable the Government and citizens to take advantage of the cutting-edge technologies like SMAC currently and those that emerge in future.

Further, the Electronics Policy aims to develop Electronics manufacturing clusters, build infrastructure such as Electronic Hardware Parks and also provide fiscal and non-fiscal incentives to promote the industry, while generating employment.

Our Government is determined to promote the culture of innovation and entrepreneurship in the youth. The Innovation and Start-up Policy ambitiously targets to create a world class 'technology start-up ecosystem' by nurturing 'entrepreneurship and a culture of innovation' which would contribute to increased knowledge, wealth and employment.

IT and Electronics industries are the core industries that can help the Government re-imagine and reconstruct the new state of Andhra Pradesh. I am sure, these policies would help accelerate the process.

(PALLE RAGHUNATHA REDDY)



J. SATYANARAYANA, IAS (Retd.)

ADVISOR TO GOVERNMENT OF AP
e-Government, Electronics & IT

MESSAGE

The Government of Andhra Pradesh has developed a blueprint "Re-Imagining Andhra Pradesh - role of e-Governance, Electronics and IT" for development of ICT Industry in the State. The blueprint envisages a large number of conducive policies and simple but effective frameworks being put in place. 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 IT policy, Electronic Policy and Innovation & Startup Policies are among the 18 policies that have emanated out of the Blue Print, for the growth of IT and Electronics sector in the Andhra Pradesh, the sun-rise state of Nation

All these three policies are based on key four pillars, namely, Human Capital, Infrastructure, Incentives and above all, a system of Good Governance.

I am sure these three policies will play a lead role over the next 5 years in spreading of IT applications across the length breadth of the State for generation of gainful employment and socio economic development.

(J. SATYANARAYANA)



B. SREEDHAR, IAS

SECRETARY TO GOVERNMENT
Information Technology,
Electronics & Communications Department
Government of Andhra Pradesh

MESSAGE

Government of Andhra Pradesh came up with the IT, Electronics and Innovation & Startups policies in order to enable the Government to inter-operate IT businesses with ease, and provide integrated services to the citizens.

The Policies lay emphasis on the development of state-of-the-art infrastructure, more specifically, Mega IT hubs, EMCs, ITIRs, IT Layouts/Parks, and Innovation sectors, through Public Private Partnership mode with conducive incentives and felicitations.

The incentives and business enablers in these policies are unparalleled in the Country. In addition to investor-friendly incentives and proactive government support, the policies also emphasize on developing the Innovation & Entrepreneurship culture amongst the students.

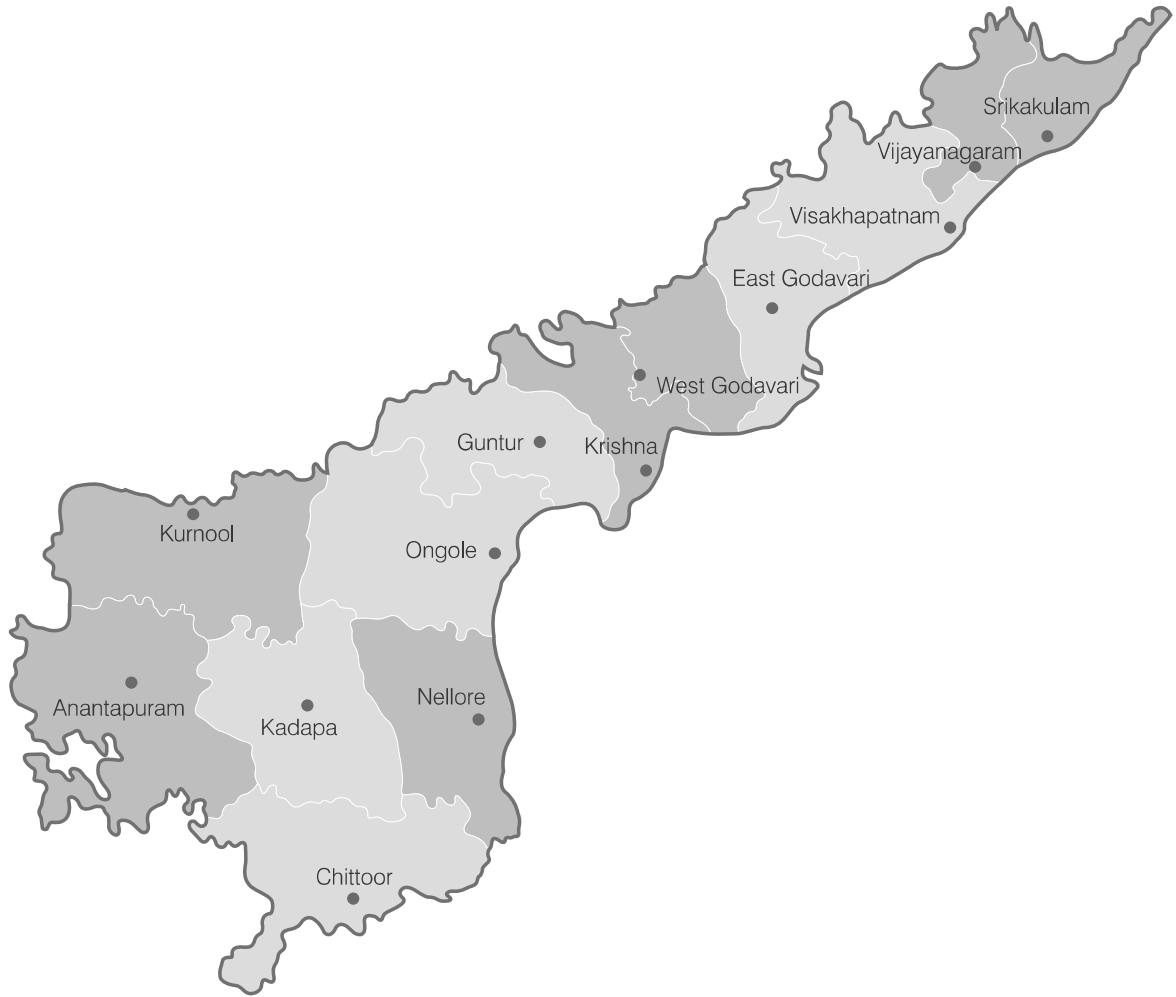
I am certain that these policies will boost investments into Andhra Pradesh, create ample job opportunities and also build the culture of innovation and entrepreneurship.

(B. SREEDHAR)



VISION

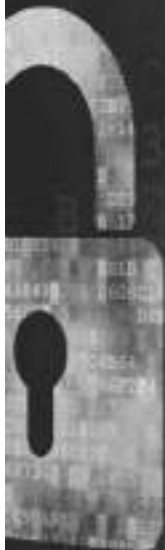
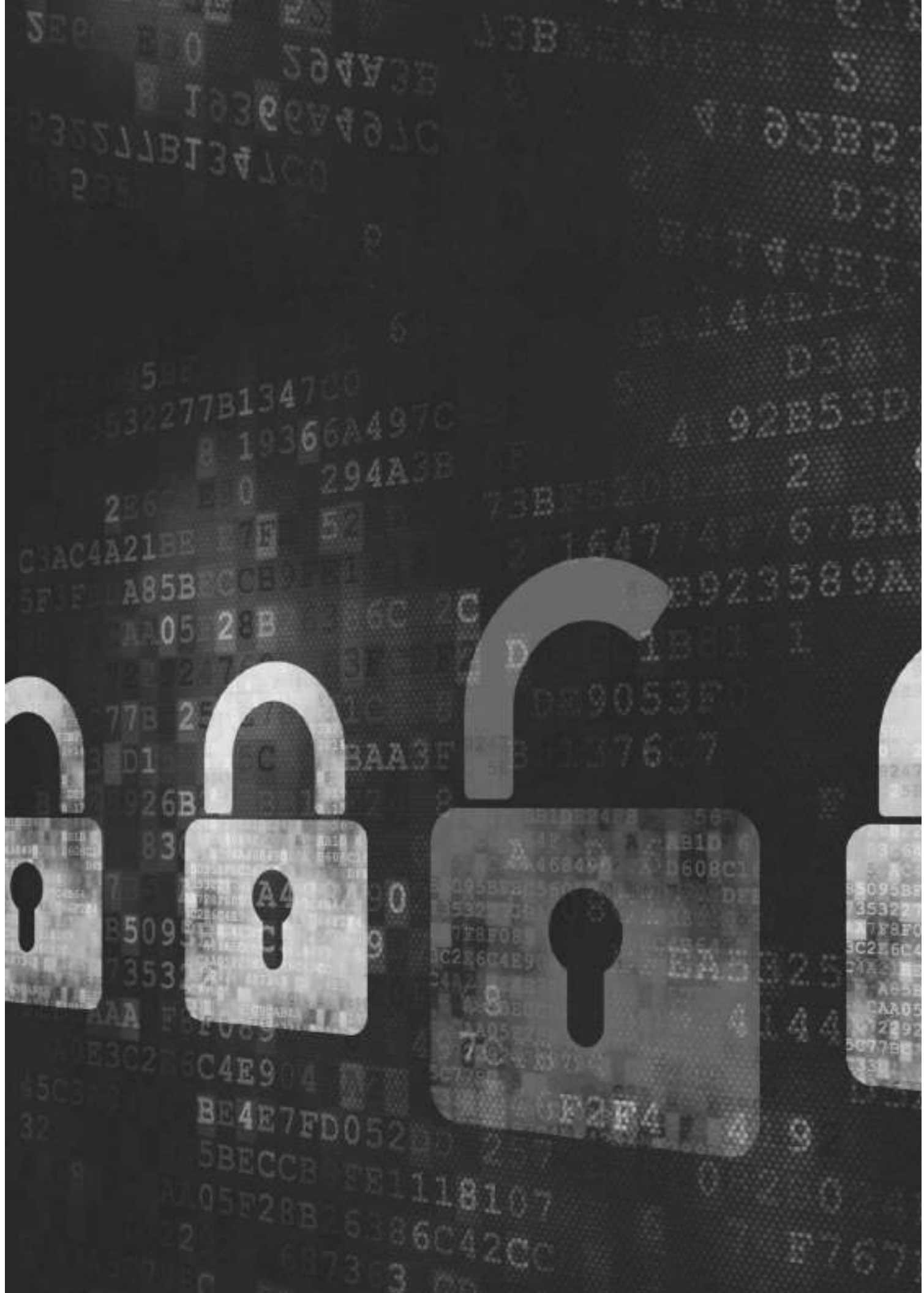
To develop AP as an Innovation Society of global repute, with a focus on enhancing the Quality of Life of its citizens, through high-quality Education and Healthcare, increased productivity in Agriculture and allied activities, creation of Employment by promoting Electronics and IT, and above all, by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



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AP IT Policy 2014-2020



Andhra Pradesh had taken a leadership position in e-Governance and Information Technology. The Growth was propelled by the availability of rich talent pool, lower cost of operations and in some measure due to the innovative policies of the Government. Consequent on the reorganisation of the State, it is imperative to revisit the existing policy initiatives and make them more attractive to suit the current and future requirements of the new State of Andhra Pradesh.

In the above context, the Government of Andhra Pradesh has developed a blueprint “**Re-Imagining Andhra Pradesh - Role of e-Governance, Electronics and IT**” for the development of the ICT Industry in the State. The blueprint envisages a large number of conducive policies and simple but effective frameworks being put in place. 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 objectives and targets laid out for the next five years are

- to be FIRST in India in Quality & Quantity of e-Services
- to be known as the **Silicon Corridor** of India
- to attract Investments of US \$ 2 bn in IT and US \$ 5 bn in Electronics manufacturing
- to get a 5% share in national exports of Software
- to create an additional direct employment of 0.5 mil
- to take Gigabit to all Villages
- to make at least one person e-literate in every household

The blueprint has identified a set of 18 policies and frameworks to realize the vision and goals stated above. The IT policy laid down in this document is one among them.

An effective policy for the development of IT should base itself on the four pillars, namely, **Human Capital, Infrastructure, Incentives** and above all, a system of **Good Governance**. This document specifies the policy initiatives that the Government intends to take in these four areas.

1. Human Capital: Availability of a pool of high-quality manpower is a sine qua non for the development of IT Industry. While AP has over 200 engineering colleges and a large number of training institutions specialized in IT and computer sciences, it is necessary to create an

environment that promotes quality of education in emerging technologies and alignment with the specific needs of the industry. To this end, the following initiatives shall be taken,

- 1.1 **Changing Course Curriculum:** Universities will be advised to change the course curriculum to be in tune with the emerging technologies and aligned to the requirements of the Industry, and to introduce courses in entrepreneurship development.
- 1.2 **Credits for Online Courses:** The Universities will be advised to give credits to the students successfully completing notified online courses.
- 1.3 **Faculty Upgradation:** A special scheme of faculty upgradation shall be introduced.
- 1.4 **Establishment of Premier Institutes:** The Government would support opening of premier IT institutes in partnership with the top IT Companies and Foreign Universities.
- 1.5 **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.
- 1.6 **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 of ₹ 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 (INR One lakh only) per year per unit.
- 1.7 **Recruitment Assistance:** A recruitment assistance of ₹15 lakh (INR Fifteen lakh only) to the SMEs which attain an employment of 100 employees within three years of commencement of commercial operations.
- 1.8 **Innovation Policy:** Innovation is the prime focus area for the growth of IT industry in the State. An Innovation Policy shall be announced to promote start-ups and IT units developing innovative products in the State.
- 1.9 **e-Literacy:** An appropriate scheme would be announced to make one person e-literate in every household, in partnership with the industry.

2. Infrastructure

- 2.1 **Vizag as a Mega IT Hub:** Government shall endeavour to establish state-of-the-art infrastructure of international standards suiting to the requirements of the IT / ITES Industry. Visakhapatnam will be developed as a Mega IT Hub, through an initial effort of developing an IT township with a built-up space of 5 million square feet. A signature tower of 1 million square feet shall form the nucleus of the Mega IT Hub.
- 2.2 **IT Hubs:** IT Hubs shall also be developed at Vijayawada, Kakinada, Tirupati and Anantapur.
- 2.3 **PPP for IT Infrastructure:** The facilities, in the form of IT Towers, IT Parks and IT Zones, shall be developed adopting a transparent PPP policy. The following principles will form part of such a 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 QCBS method.
 - b. The responsibility of marketing the facilities created shall be with the selected partner. The Government shall provide such 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.
 - e. The principles of green buildings, green IT, e-Waste management, Walk-to-Work and Cycle-to-Work shall be followed while designing the facilities.
- 2.4 **Information Technology Investment Regions (ITIRs):** To attract Investments in IT / ITES, and Electronic Manufacturing units, Government of India, had notified the ITIR policy in 2008. ITIR is expected become a significant driver of the economic activity in the region, by funnelling the resources and efforts of the Central, State and local governments into the ITIR. **Government proposes ITIRs to be developed in Visakhapatnam and Tirupati initially.** The Tirupati-Anantapur corridor will be proposed at a later phase.
- 2.5 **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 the other airports in the state to cater to needs of the industry.

- b. **Assured Power:** Andhra Pradesh has recently been selected as a pilot State to implement the scheme of 24x7 power supply. Within a span of 5 years, the Government intends to make the State power surplus. As an interim measure, the ICT 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 selected to be developed as IT Hubs.

3. Incentives

A. Incentives applicable to all categories of IT Industry:

A1- Non-Fiscal Incentives

- 3.1 ICT industry would be exempt from the purview of the AP Pollution Control Act, except in respect of power generation sets.
- 3.2 IT industry would be exempt from inspections under the following Acts and the Rules framed there under, barring inspections arising out of specific complaints. The IT units are permitted to file self-certifications, in the prescribed formats.
 - 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
- 3.3 General permission shall be available for 3 shift operations with women working in the night for IT / ITES Units / Companies, subject to the IT units taking the prescribed precautions in respect of safety and security of employees.
- 3.4 IT / ITES Units / Companies and non-hazardous hardware manufacturing industry are declared as essential service under **AP Essential Services Maintenance Act.**
- 3.5 **CCITI:** An empowered 'Consultative Committee for the IT Industry' would be formed with the representatives of industry and the other stakeholders. The CCITI would administer the incentives in a speedy, time-bound and transparent manner.



- 3.6 **Land Allotment:** Allotment of Government land or land held by APIIC for industrial development, to the IT units shall be governed by the following principles.
- The land allocation for IT Industry will be as per GO Ms. No:571, Revenue (Assgn.I) Department, dated:14/09/2012.
 - The land allotment would be based on the business proposal and the investment capacity of the company / investor.
 - Rebate on Cost of Land Allotted:** A rebate on the cost of the land will be provided @ ₹ 60,000 per employee to the Mega IT Projects (defined below) and ₹ 40,000 per employee for other IT projects, subject to a maximum of 80% of the land cost as determined by the allotment agency. Prescribed guarantees would be taken from the sponsors of the project for the rebate.
 - Units, for which land is allotted on a rebated cost, shall ensure that the facility to be created shall be adequate to provide space for 500 IT professionals on every acre of land.
 - Only the IT units with IT employee strength of a **100** will be eligible to be considered for allotment of land.
 - CCITI is empowered to consider the eligibility of the applicant based on the track record, business proposal in terms of employment to be created, office space to be built, investment to be made and viability of the project proposal.
 - The Conditions of allotment, extent of land to be allotted, employment to be created, office space to be built, investments to be made and timelines shall be incorporated in the MOU / Agreement to be signed with the applicant-company.
 - Sub-leasing:** Sub-leasing of the space created for IT employment, under a scheme of incentives

would be permitted in the IT Layouts / IT Towers to synergise collaborations and enhance IT employment, subject to the condition that such sub-leasing shall be only in favour of only any other IT company.

A2 Fiscal Incentives

- 3.7 **Registration & Stamp Duty:** IT industry shall be eligible for 100% reimbursement of the Stamp Duty, Transfer Duty and Registration Fee paid on sale / lease deeds on the first transaction and 50% thereof on the second transaction.
- 3.8 **Power Subsidy:**
- IT Units classified as MSME shall be eligible for 25% subsidy on power bills for a period of 3 years from the date of commencement of commercial operations or ₹ 30 lakh, whichever is earlier.
 - IT Units established by SC / ST & Women Entrepreneurs shall be eligible for 50% subsidy on power bills for a period of 5 years from the date of commencement of commercial operations or ₹ 50 lakhs, whichever is earlier.
- c. **Exemption of Electricity Duty and applicability of Industrial Tariff:** New IT / ITES units, after coming into commercial operations will be entitled for 100% exemption on Electricity duty for a period of 5 years.
- 3.9 **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 mil) per domestic patent awarded and ₹ 10 lakh (1 Mil) per international patent awarded.
- 3.10 **Quality Certification:** IT Units shall be eligible for reimbursement of 20% of expenditure incurred for obtaining quality certifications for CMM Level 2 upwards, subject to a limit of ₹ 5 lakh (0.5 mil). Similar reimbursement will be made to BS 7799

for security and also for ITES Companies for achieving COPC and eSCM certification. The IT / ITES units / Companies can claim this incentive only once. In addition, this incentive may be extended to other certifications based on the recommendations of the CCITI.

3.11 Technology & Market Support: Government will support IT Exporters Associations, ITsAP, NASSCOM, ELIAP, STPI, IEG, or any such organisation (as decided by CCITI) for conducting surveys and / or research on trends in technology, market intelligence or on other work useful to the IT Industry.

3.12 Business Networking and Promotional Events: Government shall promote and encourage participation in various national and international events by the industry and by leading a Government-industry business delegation to identified Exhibitions and Conferences. Government would also undertake various promotional events and road shows at various locations from time to time.

B. Additional Incentives available to Mega IT Projects:

3.13 Mega Projects: Mega Projects are projects or investment intents that can create employment of 5,000 or more in a span of 5 years. The following additional incentives would be provided to the Mega Projects.

- a. In case where the premises is taken on lease / rent, a rental subsidy @ ₹ 10 per sft. per month shall be provided for a period of 3 years in a prescribed scale of space per employee.
- b. An investment subsidy of 10% of the value of the Capital Expenditure, other than land, shall be provided to Mega Projects that enter into an MoU with the State within 2 years of notification of the Policy.

C. Additional incentives available to MSME IT Units:

3.14 MSME IT units are those units that have an annual turnover of ₹ 25 Cr. (250 mil). The following additional incentives are available to such units:

- a. A 50% subsidy on lease rentals up to a maximum of ₹ 5 lakh (0.5 mil) per annum for a period of 3 years for any plug and play built up office space taken by start-ups / MSMEs / first-generation technocrat entrepreneurs, SC, ST & women entrepreneurs STPI, either in IT / Multi-purpose SEZs / IT Parks or in any notified private area / location.
- b. **Market Development:** 50% (100% for SC / ST & Women Entrepreneurs) reimbursement of the exhibition stall rental cost for participating in the notified national / international exhibitions limited to 9 sq.m. of space.
- c. **Recruitment / Training Assistance:** Assistance @ ₹ 20000 per IT professional employed within a period of two years of establishing the unit.
- d. All turnkey projects with an outlay up to ₹ 5 Cr. (INR 50 Mil) to be undertaken by Government Departments would be reserved for MSMEs registered and operating in the State
- e. **Performance-linked Grant:** MSMEs that record a year-on-year growth rate of 15%, as per audited accounts, shall be eligible to get a grant of 5% on Turnover.
- f. The Government has published on its portal (www.ap.gov.in) a Blueprint for development of IT, Electronics and e-Governance sectors in the State. *Suo moto* proposals, based on AP Blueprint for applications relevant to governmental needs would be accepted from AP-based MSME IT units and the proposals adjudged to be the best among those found to be relevant for achieving the objectives set out in the blueprint will be accepted and projects to the tune of ₹ 50 Cr. (INR 500 Mil) p.a. would be awarded to the IT units so selected.
- g. **Subsidy on Bandwidth for Connectivity:** A 20% subsidy on Bandwidth for connectivity paid to Internet Service Provider (ISP) shall be available for a period of two years from the date of starting commercial production / operation.

D. Additional incentives available to IT Units established by SC / ST Entrepreneurs

3.15 The following additional incentives shall be available to IT Units established by SC / ST entrepreneurs.

ITEM	INCENTIVE AVAILABLE
Reservation of Built-up space	Reservation of 15% built up space
Investment Subsidy	25% on the Fixed Capital & an additional 5% to SC / ST women entrepreneurs, with a maximum limit per unit of ₹ 25 Lakh
Interest Subsidy	8.5% Interest Subsidy on Prime Lending Rate (PLR) on the term loan and Working Capital subject to a maximum of ₹ 50 Lakh per year for a period of 5 years for the units which commence commercial operations

E. Additional Incentives available to IT Units established by Women Entrepreneurs

3.16 The following additional incentives shall be available to IT Units established by women entrepreneurs.

ITEM	INCENTIVE AVAILABLE
Reservation of Built-up space	Reservation of 15% built up space
Investment Subsidy	20% on the Fixed Capital with a maximum limit per unit of ₹ 20 Lakh
Interest Subsidy	5% (8.5% for SC / ST women entrepreneurs) Interest Subsidy on Prime Lending Rate (PLR) on the term loan and Working Capital subject to a maximum of ₹ 50 Lakh per year for a period of 5 years for the units which commence commercial operations

F. Additional Incentives available to Rural IT Units

3.17 In addition to the incentives available for MSMEs, IT Units established in Rural areas shall be eligible for the following incentives:

- a. All district-based turnkey projects with an outlay of up to ₹ 50 Lakhs would be reserved for Rural IT companies.
- b. Subsidized loans towards the infrastructure / operations cost through SFC / rural banks would be arranged for such enterprises.

G. General Provision relating to incentives:

3.18 The incentives listed herein would be available to the new companies and to the expansions of existing companies, unless the same has been claimed earlier.

4. Governance of IT Policy

4.1 **Effective Single-Window System:** A highly empowered 'Single Window Clearance Unit' will be created and operationalized for granting approvals & clearances for setting up New IT Units and for expansion of the existing IT units in the State. It would be supported by a state-of-the-art centralized help desk on a 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.

4.2 **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 given.

4.3 **Empowered Mission for Electronics & IT Promotion:** An empowered Mission would be established to give a 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.

4.4 **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 the promotion of Information Technology Sector. All statutory clearances to IT Parks / IT Campuses constructed by IT Infrastructure Companies / builders / developers and IT / ITES Industry / Companies / Units for own use on lands allotted by APIIC in their Industrial Local Area Authority, would be given by APIIC.

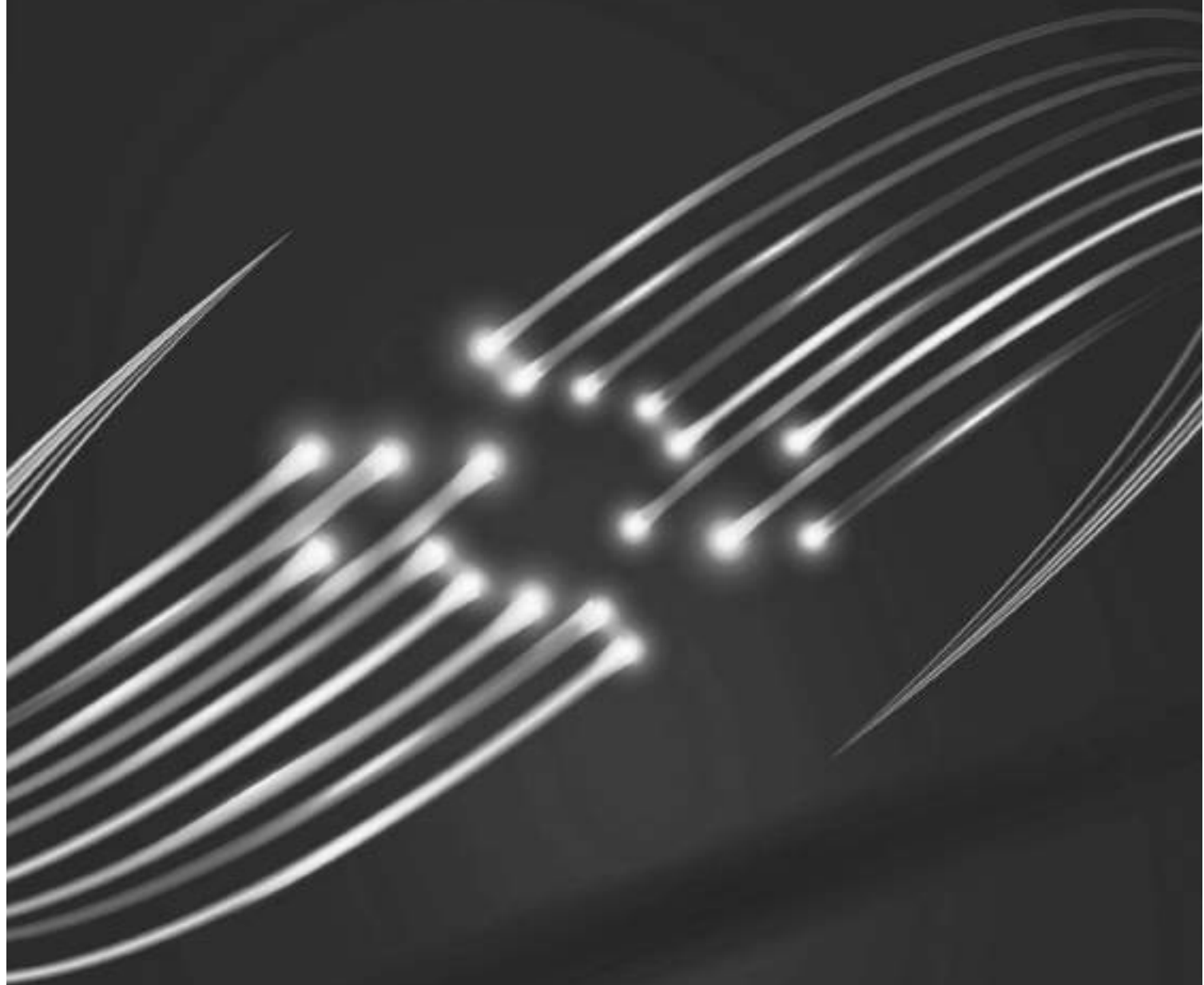
This Policy is valid for a period of 5 years from the date of its notification and supersedes the ICT Policy 2010-2015.

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

02



Andhra Pradesh Electronics Policy 2014-2020



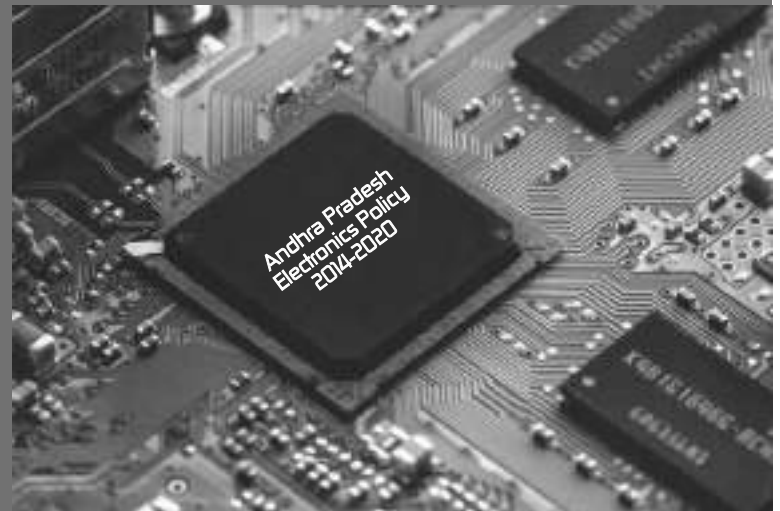
Globally, the Electronics Industry is the largest and fastest growing manufacturing industry in the world, with a size of USD 1.75 Trillion. It is expected to reach USD 2.4 Trillion by 2020. The demand in the Indian market was USD 70 Billion in 2013-14 and is expected to reach USD 400 Billion by 2020. 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 GoI

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 GoI 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 GoI. 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 of VAT / CST, for units started after the date of issue of this Policy, for a period of 5 years from the date of commencement of production for products manufactured in AP and sold in AP.
- 3.11 **Skill Upgradation & Training:** 50% reimbursement / grant of cost involved in skill upgradation and training local manpower limited to ₹ 2,000 per person.
- 3.12 **Investment Subsidy:** 20% Investment Subsidy limited to Rs.20 Lakhs (2 Million) for MSME and additional 5% investment subsidy for Women/SC/ST Entrepreneurs.
- 3.13 **Interest Rebate:** 3% Interest Rebate limited to Rs.5 lakhs (0.5 Million) per year for 5 years

- 3.14 **Capital Subsidy:** 10% subsidy on new capital equipment for technology upgradation limited to Rs.25 lakhs (2.5 Million) as one time availment by the eligible company.
- 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 Gol.

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.

03



AP INNOVATION & STARTUP POLICY



PREAMBLE:

Globally, the United States of America has been at the forefront in research and development in the recent past while Israel has been the leading spender in R&D and Innovation (in terms of % of GDP). In the last decade, India spent less than 1% of the GDP for R&D and Innovation. R&D in India, is still largely financed by government sources. Out of over 5,000 Incubators across the world, India has only 65. Countries such as Netherlands, Singapore, Sweden, etc. have been giving more importance to R&D and Innovation.

Science, Technology and Innovation (STI) have emerged as the major drivers of National Development globally. India has declared 2010-20 as the "Decade of Innovation." Gol has stressed the need to enunciate a policy to synergize science, technology and innovation. In 2013, Gol came up with the Science, Technology & Innovation Policy, in order to create a robust innovation culture and ecosystem. It proposes to increase the expenditure on Innovation R&D to 2% of the GDP. For the development of an innovation culture in the Country, the policy envisages the creation of a conducive ecosystem for venture capital in the MSME sector with an initial corpus of ₹ 10,000 Cr.

The Constitution of India along with our fundamental rights has given every citizen 10 fundamental duties of which two are

- a. To develop the scientific temper, humanism and the spirit of inquiry and reform;
- b. To strive towards excellence in all spheres of individual and collective activity so that the Nation constantly rises to higher levels of endeavor and achievement

The State needs world -class scientific and technology ecosystems that would empower and enable its youth to carry out this fundamental duty to our beloved nation.

For the development of innovation, entrepreneurship and startup culture in the State, GoAP proposes to set up an Innovation & Capacity Building Mission as envisaged in the Blueprint Document "**Re-Imagining Andhra Pradesh – Role of e-Governance, Electronics and IT**" (available on www.ap.gov.in).

The Vision envisaged for the new Innovation & Startup Policy is:

"To create a world-class 'technology startup ecosystem' by fostering 'entrepreneurship and a culture of innovation' which contributes to increased knowledge, wealth and employment in our society."

The State of Andhra Pradesh shares a collective dream of a new India where new generation software products would be manufactured creating multiplier effects in the growth of the State and Nation, employment creation, and social transformation.

Through the Innovation and Startup Policy, the Government intends to create an ecosystem that produces an entrepreneur in every family. The targets laid out for Andhra Pradesh, through this Policy, by June 30, 2019 are:

- 100 Incubators / Accelerators to be established
- 5,000 Companies & Startups to be incubated
- 1 million sq. ft. of Incubation Space to be developed
- Venture Capital of ₹ 1000 Cr. to be mobilized for Innovation
- Foster Innovation Culture
- Create at least one home grown billion dollar technology startup

The Policy would have the following Niche Themes as focus in the initial period:

- Internet of Things (IoT)
- 'IT for X' in the areas of Pharma, Oil & Gas, Urban Management
- Social Media, Mobility, Analytics and Cloud Computing (SMAC)
- Fabless Semiconductors
- Animation & Gaming
- Entertainment
- Visual Effects
- Health and Fitness
- Automotive

Though the IT policy of the State would be the mother policy for the startups in the sector, a specific policy on innovation would top up the efforts of the IT policy. The new policy for innovation would base itself on the 5 pillars of **Shared Infrastructure, Accelerators / Incubators, Human Capital, Funding and above all, a system of Good Governance (State Support)**. The efforts and activities to be taken up in these areas are listed below.

1. Shared Infrastructure:

The Government will endeavor to create world-class shared infrastructure for technology product startups to operate at no cost and technology service startups at nominal cost till the company achieves self-sufficiency.



1.1 **Existing Models of Development:** Government will encourage the Host Institutions of existing Technology Business Incubators (TBIs) to set up their TBIs in the State to jump-start the startup ecosystem. The Innovation and Capacity Building Mission would study the existing models of Incubation / Startup centers across various locations and come up with recommendations on the facilities and shared infrastructure to be developed.

1.2 **Incubation Infrastructure Development Fund:** The Government shall develop physical incubation infrastructure through Public Private Partnerships. A New Incubation Infrastructure Development Fund will be setup under the Innovation Mission as a Revolving Fund that provides Conditional Grant for SPVs, promoted by Host Institutes of TBIs and approved by NSTEDB, DST, GoI. The Fund should be used for the creation of Social Infrastructure in the State of Andhra Pradesh for a full fledged Startup Ecosystem, comparable with the best in the world, which has Incubation facilities, Infrastructure for R&D labs, Office spaces, small and large Conference rooms, Small Office Home Offices (SOHO), Residential facilities like Hostels, Dormitories, 1-2-3 BHKs, Office spaces for Skunk works, Innovation zones and other modern amenities. The SPV mechanism also has to have an escrow account jointly with a leading financial institution into which the entire rent collected would

be deposited. The operational cost of running the facility, such as building maintenance, would be covered from the rent. The surplus cash, if any, generated each year, would be transferred back to the Revolving Fund until the total Project Cost is recovered completely.

1.2.1 Along with the Incentives provided in the IT Policy, Host Institutes of TBIs that are recognized by National Science and Technology Entrepreneurship Development Board (NSTEDB) shall be entitled for lease of land and space for a period of 90 years for setting up TBIs and related infrastructure to create world-class Live-Work-Play environments at Government-owned IT Parks. The lease amount in such cases shall be payable in equal annual installments over the period of lease.

1.2.2 The responsibility of marketing the facilities created shall be with the selected partner. The Government shall provide such promotional support as needed.

1.2.3 Appropriate relaxations will be provided from the zoning regulations and land usage conversions, subject to environmental safeguards.

1.2.4 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.

1.2.5 The principles of green buildings, green IT, e-Waste management, Walk-to-Work and Cycle-to-Work shall be followed while designing the facilities.

1.3 Common Infrastructure:

The Government would facilitate the creation of support infrastructure for the development of the innovation ecosystem to attract new entrepreneurs. This includes:

- a) Common Testing labs & Tool rooms
- b) Enterprise Software & shared Hardware
- c) Shared services like Legal, Accounting, Technology, Patents, Investment Banking
- d) Other amenities and facilities like individual accommodation, hostel rooms
- e) Community for startups

2. Accelerators & Incubators:

The Government shall establish at least one world-class Accelerator / Incubator by inviting global accelerators and incubators to set up their programs in the State.

- 2.1 The Government will also support small accelerators / incubators in multiple locations, by providing support and space to bring in expertise and startups in the incubation centers through diverse models.
- 2.2 The Government targets to create 1 million sft. of Incubation Space by 2019
- 2.3 Government proposes to partner with Indian and globally successful Incubators in order to replicate the successful Funding and Mentoring Models.
- 2.4 Government proposes to partner with accelerators by providing support and space to bring in expertise in operating and managing the Incubation centers.
- 2.5 Government would focus on closely monitoring the proceedings of the initial batches / groups in the Incubation centers as these would seed the ecosystem which will fuel the subsequent batches.

3. Human Capital:

Inculcating the habit and embedding the idea of innovation among all the citizens in every aspect of economic activity is essential for promoting the culture of innovation in the people. This needs to be achieved

through strong educational support to bring out innovators and technopreneurs among the youth. The Government would work with universities, educational institutions and the industry to provide pre-trained manpower in emerging technologies and to foster a culture of entrepreneurship.

- 3.1 **Update Syllabus:** The Universities will be advised to change the course curriculum to be in tune with the emerging technologies and align to the requirements of the Industry, and to introduce courses in entrepreneurship development through incubators. Industry experts may be leveraged to teach courses at incubators and students who are interested may elect these courses. The evaluation provided by approved industry experts may be sent by the incubator to colleges / university for inclusion in the electives that students can learn as part of the degree course.
- 3.2 **Faculty Upgradation:** A special scheme of faculty upgradation shall be introduced. Government would support enhancing infrastructure at existing universities to train the faculty for promotion of innovation.
- 3.3 **Mandatory Apprenticeship:** All educational institutions offering under-graduate courses shall implement a mandatory scheme of internship / apprenticeship in the last year of the course in association with the Industry. This may be waived off for students who are setting up their own startups in Incubators.
- 3.4 **Credits to MOOCs and insertion as electives:** The Universities will be advised to give credits to the students successfully completing notified online courses (MOOCs) and their insertion as electives. The University in conjunction with Incubators operating in the state shall decide the number of credits and evaluation methodology for such courses. Students should be free to learn electives even in first or second year of college as part of degree completion.
- 3.5 **Gap Year - Concept of Student Entrepreneur in Residence:** Universities may introduce the concept of Student Entrepreneur in Residence. Outstanding students who wish to pursue entrepreneurship can take a break of one year, after the first year, to pursue entrepreneurship full time. This may be extended to two years at the most and these two years would not be counted for the maximum time for graduation. Even though this can be done even now, our society is still not ready and thus having this as a scheme from the University would ensure parents are comfortable and confident that this is a Government approved scheme that their children are availing. The Gap Year facility may be

given to ensure syllabus continuity at the time of joining back and after an appraisal process by an incubator where the student is attached.

3.6 IT & Entrepreneurship @ College level:

- All Universities in Andhra Pradesh may give 5% grace marks and 20% attendance every semester for student startup teams, which have at least one woman as a cofounder.
- Students may be permitted to undertake their Industrial Seminar, Project Seminar and Industrial Visit at Technology Business Incubators where additional facilities are being setup.
- Student Entrepreneurs working on a startup idea from first year of college may be permitted to convert their startup project as their final year project towards degree completion. Mentors assigned by Incubators may be allowed to conduct Viva Voce. Project Reports certified by the Incubators may be sent back to the respective colleges for forwarding to the university.

All the above three proposals may be implemented by Universities from the semester starting from June-July 2014 itself and may issue this with immediate effect.

3.7 Distribution of Raspberry Pi / Aduino / Little Bits Kits & Startup boxes to the students:

Schools in the State would be encouraged and helped to distribute Rasberry Pi, Aduino, Litte Bits & Startup boxes to promote the teaching of basic computer science in schools and ignite the imagination of students. Government would also make efforts to bring in private sector and CSR funding for this purpose.

3.7.1 Annual Science Fairs would be held to identify and promote innovation & Entrepreneurship at School Level.

3.7.2 A program would be conceptualized to have district level competitions for business ideas for Student groups from 8th to 10th standards with a maximum grant of ₹ 25,000 per idea. A maximum of 50 ideas each year would be facilitated.

3.8 Innovation and Transformation Academy:

An academy for fostering Innovation in the State would be established in Tirupati. This would help in institutionalizing the culture of entrepreneurship in the State by providing leadership and entrepreneurship training.

3.9 **Entrepreneurship Boot-camps** - College and School Level Entrepreneurship Development Cells (Boot Camps) may be created through pilot incubators for creating support and awareness at local level inside the college campus itself.

3.10 **Entrepreneurship Learning** - Pilot Incubators are to roll out one day training programs in schools for exposure to entrepreneurship. At college level, entrepreneurship training has to be immediately provided as a weekend workshop done in partnership to be taken up by the Innovation and Transformation Academy.

3.11 **Attracting International Mentors:** Government will provide subsidy to Incubators for bringing international consultants, mentors and for hiring and training local fresh talent.

3.12 **International Startup Culture and Exchange Programme** - An international startup program would be setup to send the most brilliant startups, college and school students to leading startup destinations around the world for getting global exposure at a young age. Select College Principals and Teachers would also be sent for gaining international exposure about the startup culture in universities like Stanford, Harvard and MIT and see how MOOCs are being used in various schools and colleges for education. Similarly, tie-ups may be setup to bring world-class startups to work alongside startups in Andhra Pradesh for faster learning and cultural exchange.

3.13 **e-Literacy:** The Gol scheme of e-Literacy would be implemented to make one person e-literate in every household, in partnership with the Industry.

3.14 **Innovation Zones** - All State departments have to setup Innovation Zones at Pilot Incubators in order to bring closer industry-institute interaction for creating innovative products and applications for the PSUs under the Department, eGovernance Applications, SMAC products etc. in the Department.

3.15 Market Support and State Database:

Government will focus on startups while supporting industry associations (as decided by AP Inc.) for conducting surveys and / or research on trends in technology, research, innovation and market intelligence on niche themes. It would also create a portal containing a database of innovations being carried out in the State.

3.16 Business Networking and Promotional Events:

The Government will promote and encourage participation in various 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. 50% (100% for SC / ST & women entrepreneurs) reimbursement of the exhibition stall

rental cost for participating in the notified national / international exhibitions limited to 9 sq.m. of space would be provided to the startups.

- 3.17 **Digital Marketing:** Advertisement and marketing support subsidy will be provided for digital marketing as most of the SMAC enterprises are in the B2C space.

4. Funding - State Innovation Fund:

The Government will create an Initial Innovation Fund of ₹ 100 crore (1 billion) for entrepreneurs and businesses.

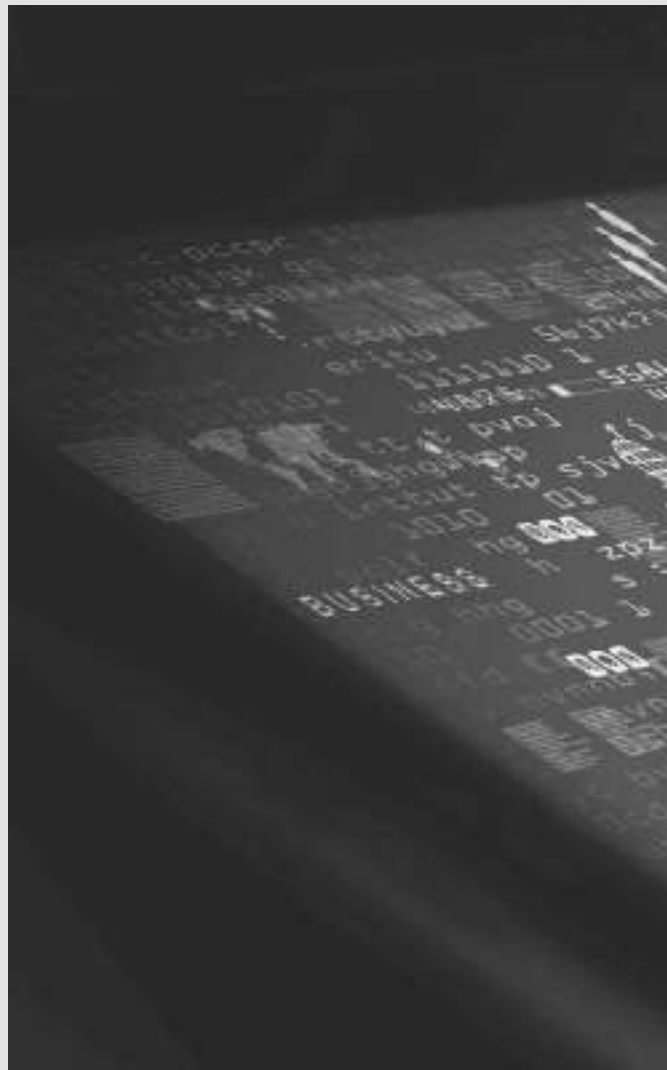
- 4.1 The Fund will be in the nature of Fund of Funds. It does not invest directly into startup companies. It shall participate in the Capital of SEBI approved Venture Capital Funds, up to 15% as Limited Partner. The VC Fund in turn is free to invest in startups located in AP, basing on its own criteria.
- 4.2 The Fund would be professionally managed like a PE / Venture Fund with Industry leaders on the investment committee and would also leverage support from private partners and the Gol.
- 4.3 The Fund would also support the establishment of Pilot Incubators and Human Capital Developmental Programs through Host Institutes approved by the National Science and Technology Entrepreneurship Development Board, Government of India.

5. State Support:

A. Non-Fiscal Incentives

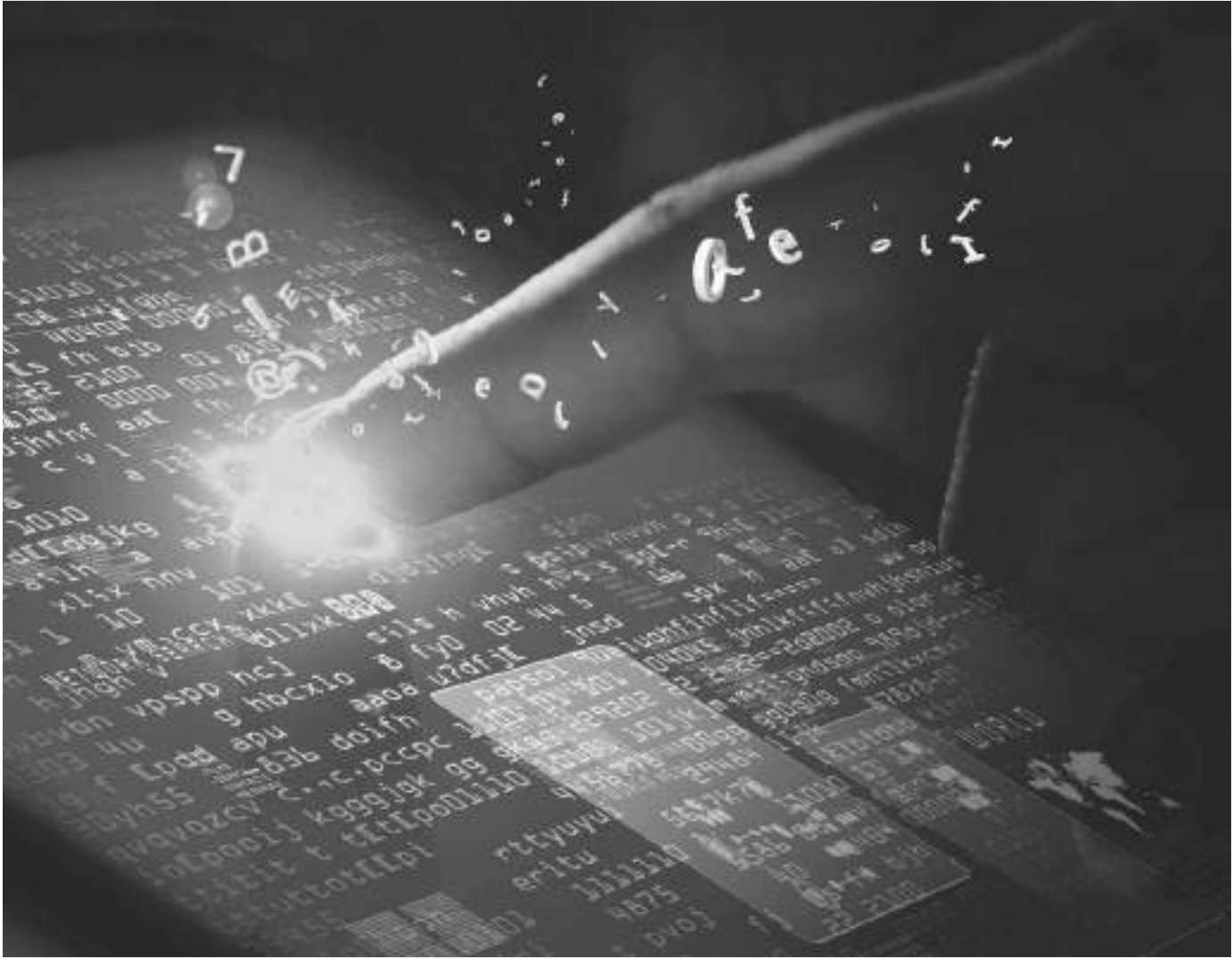
The fiscal and non-fiscal incentives applicable to all categories of IT industry would be applicable to incubators, accelerators and startups. In addition,

- 5.1 **Effective Single-Window System:** A highly empowered 'Single Window Clearance Unit' will be created and operationalized for granting approvals and clearances to primarily first time and young entrepreneurs. A single window clearance will be provided for VAT, Labour, Municipal and other local registrations and compliances. 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.
- 5.2 **Special provisions for Startups:** In addition, allocation of space will be provided to incubators and startups on priority. Special dispensation for



startups backed by PE / VC funding would be created.

- 5.3 **Awards for Innovation:** Government will encourage innovation amongst the entrepreneurs through Innovation awards. The focus of these awards will be mostly on innovative products that attend to societal problems and would be awarded every year.
- 5.4 **Technology – Server & Software:**
- 5.4.1 **Cloud Server:** Government would host a cloud sever that would connect all the incubation centers across the State. This server would be available to all the startups, at low or nominal costs.
- 5.4.2 **Enterprise Software & Device Testing Labs:** Based on the requirement, Government would



procure Enterprise versions of key software required for testing and other purposes at incubators. These software and labs can be utilized by the companies in the incubation space at nominal charges.

- 5.4.3 **MIT FAB Labs:** In order to promote education in hardware manufacturing and creating prototypes of hardware products a High-end FABLAB from MIT (Boston, USA) would be setup at a Pilot Incubator.

B. Fiscal Incentives

The incentives available for MSMEs in the IT policy would also be directly applicable to the startups. In addition to that:

- 5.5 **Reimbursement of VAT/ CST:** Reimbursement of VAT / CST on goods supplied to the Incubator or incubatee and on sale or leasing of goods by Incubator to incubatee would be provided.

6. Governance of Innovation Policy

- 6.1 **APInC:** An empowered 'Andhra Pradesh Innovation Council (APInC)' would be formed with the representatives of industry, incubators and the other stakeholders. APInC would administer the incentives in a speedy, time-bound and transparent manner.
- 6.2 **Empowered Mission for Innovation & Capacity Building:** An empowered Mission would be established to give a fillip to the development

of the sector and take faster and agile decisions. The mission would be headed by a Technocrat who has a proven record of promoting innovation in technology areas. It would consist of 3 experts one each in e-Governance, Electronics and IT, 3 academicians and 3 representatives of Industry.

7. Public Private Partnership Model

The establishment of new incubators and accelerators would be in PPP model to leverage the risk taking strength of the Public Sector along with the execution skills of the Private Sector. The roles and responsibilities of State Government and Private Sector is outlined below.

7.1 Role of State Government

7.1.1 Provide Administrative Guidance and Support to Private Partner for setting up Incubator.

7.1.2 Provide guidance and support to arrange infrastructure and other necessary support from time to time for the successful running of the Incubator based on existing government policies in effect from time to time.

7.2 Role of Private Sector as Host Institute

7.2.1 Vision and Execution of Incubator.

7.2.2 Organizational Responsibility and Management of Incubator.

7.2.3 Establishing Support Ecosystems, Capital Asset Management and Resources as required for the Incubator.

7.2.4 Management of the Incubator on day-to-day basis.

7.2.5 Private Partner will be responsible for creating a self-sustaining business model needed for the execution of the Incubator after the support period



given to incubated startups which is maximum of 3 years in case of service startups and 5 years in case of product startups from the date of their entry into the Incubator.

- 7.2.6 Shortfalls, if any, in revenue generation will be met by the Private Partner post the support period.
- 7.2.7 Private Partner will be responsible to find, nurture and support incubatee companies with a flexible framework based on the changing incubatee requirements in the Sector.
- 7.2.8 Ensure pro-active participation of other Private Sector companies for the Incubator in terms of raising funds for the incubator and angel investment for startups.



8. Establishment of Pilot Incubators in PPP Model

- 8.1 Andhra Pradesh would be one of the first states in India to come out with a comprehensive Innovation and Startup policy with a thrust on the PPP model of incubation. Thus, there are very few case studies or models to learn from, and knowledge has to be built with pilot experimental projects to create a comprehensive roadmap for Innovation and Entrepreneurship in the State. As the Indian Startup Ecosystem is at a nascent stage, considerable support has to be provided by the State in terms of infrastructure and policy support with program execution and expertise leveraged from the private sector.
- 8.2 With a view to jump-start the Startup Ecosystem in Andhra Pradesh, reputed Pilot Incubators (Host Institutes), approved by the National Science and Technology Entrepreneur Development Board, Dept of Science & Technology, Govt of India, will be selected on nomination basis and non-exclusive basis to setup Pilot Incubators under the Public Private Partnership model.
- 8.3 An appropriate selection mechanism shall be created for the selection of Pilot Incubators (Host Institutes).
- 8.4 Focus Areas - Initial forays for establishment of pilot incubators would be within the areas of
 - Telecom and Mobile Internet
 - Internet of Things (IoT)
 - 'IT for X' in the areas of Pharma, Oil & Gas, Urban Management
 - Social Media, Mobility, Analytics and Cloud Computing (SMAC)
 - Fabless Semiconductors
 - Animation & Gaming
 - Electronics
 - Entertainment
 - Visual Effects
 - Health and Medical Equipment
 - Sports and Fitness
 - Automotive
- 8.5 **Performance Linked Assistance:** Assistance at ₹12,500 per month, for a maximum period of three years per incubated startup company located in the identified Incubation Center developed by the State, would be provided to the Pilot Incubator (Host Institute) approved under the Pilot Projects. 10% annual increase in performance linked assistance would be provided.

- 8.6 **Physical Infrastructure and Essential Infrastructure:** Fully furnished and ready-to-use plug and play infrastructure along with computers with 1 GBPS Internet connectivity, electricity, water, security and other office facilities would be provided as infrastructure support from the State Government for the Pilot Incubators.
- 8.7 **Term and Duration:** The Pilot Incubators which are setup initially for five years. Based on a successful performance review, they would be eligible for further support-based on learnings from the Pilot.

9. Establishment of Startup - Bootup - Scaleup Model for a Product Startup Nation

- 9.1 The Government has published on its portal, (www.ap.gov.in) a Blueprint for development of IT, Electronics and e-Governance sectors in the State. To realize this vision, the Government of Andhra Pradesh will seek to co-create a product nation in India and will work to bring cutting-edge policy recommendations necessary to enable the creation of Indian-owned Global Technology Companies based out of AP.
- 9.2 Government of AP will work with Industry Associations for Software Product Industry to be recognized as a new Industry with NIC (National Industrial Classification) Code.
- 9.3 The Government will act as market maker for giving a massive fillip to the Software Product Industry. In line with the State IT Policy, an Innovative Startup-Bootup-Scale-up Model would be followed for attracting cutting-edge Software Product Startups to Andhra Pradesh by leveraging the points of IT projects up to ₹ 50 Lakhs for Rural Companies, up to ₹ 5 Cr. for MSMEs registered in Andhra Pradesh and up to ₹ 50 Cr. per annum proposals to be taken up *suo moto* using Swiss Challenge.
- 9.4 Time-bound approval of proposals in 4 weeks would be given to Innovative Product Companies to demonstrate their product(s) as Pilot projects i.e., Startup Phase. Once the pilot is successful, the Government would encourage companies to do local product development for software

companies and manufacturing (for hardware companies) i.e.- Bootup Phase. Companies that have deployed their products in Andhra Pradesh would then be given incentives as decided by the State Innovation Council to go National and International i.e.- Scaleup Phase.

This Policy would be valid till 2020 unless modified.

A customized index would be created to track the quality of innovation ecosystem over time in the State by benchmarking with the National and International levels. The factors for this index would be drawn from renowned international indices such as World Bank Knowledge Economy Index, UNCTAD Innovation Capability Index, UNDP Technology Achievement Index, Arco Technology Index, RAND Science and Technology Capacity Index, European Innovation Scoreboard Summary Innovation Index, WEF Global Competitive Index, World Business and INSEAD Global Innovation Index etc. Based on the performance on this index and other experiences in the implementation, this policy would be updated every year in order to strengthen the software products culture and ecosystem, crafting better policies and enabling the creation of market catalysts for the State of Andhra Pradesh.

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

IT Policy - G.O. Ms. No.:13, dated: 11-08-2014 of ITE&C Dept.

Electronics Policy - G.O. Ms. No.:16, dated: 09-09-2014 of ITE&C Dept.

Innovation & Startup Policy - G.O. Ms. No.: 17, dated: 09-09-2014 of ITE&C Dept.



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