



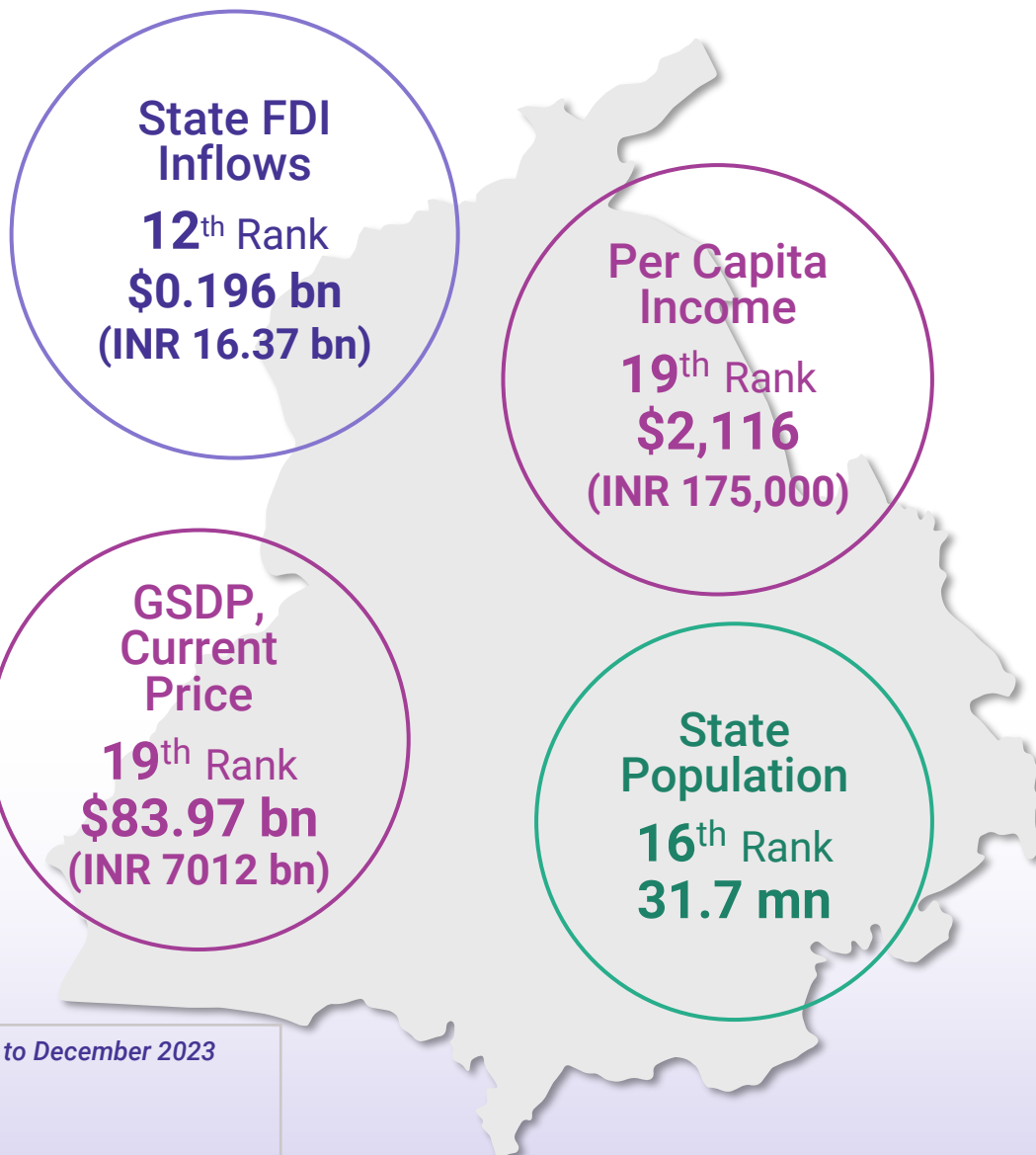
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Incentives for New Manufacturing Set Ups **Punjab**

Indian State Governments offer varied incentives under their respective state industrial development corporation policies to promote the set-up of new manufacturing units in the state. Such incentives are in the form of capital subsidies, interest subsidies, subsidized electricity tariffs, and more. The purpose of such incentive schemes is to attract investment thereby enabling infrastructure development, generating employment, developing focus sectors, and largely facilitating the overall economic development of the state.

To enable the availability of a quick summary of such general incentives offered by various Indian states, Nexdigm is releasing a series of documents focusing on providing a brief overview of such incentives offered by respective State Governments in India. This document covers information about incentives offered by Punjab under the 'Punjab Industrial and Business Development Policy 2022'.

Key Statistics | Punjab



April 2022 to December 2023

2022-23

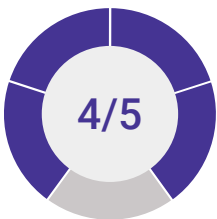
2022

Policy Overview

Punjab, located in the northwest region of India, stands out as an economic powerhouse by contributing 2.5% to the nation's GDP. Recognized as a 'Top Achiever' in the 2020 Business Reforms Action Plan (BRAP) ranking, Punjab is committed to enhancing its appeal as the preferred investment destination.

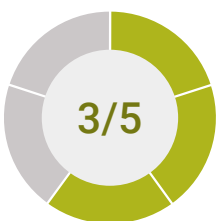
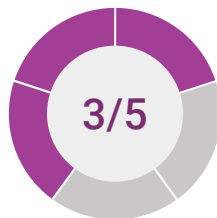
To this end, the Punjab State Government has introduced the 'Punjab Industrial and Business Development Policy 2022,' effective from 17 October 2022 to 16 October 2027. This policy is geared towards accelerating industrial growth and fostering job creation within the state.

Nexdigm Ratings and Observations



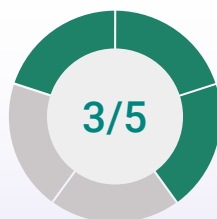
Policy Structure

Incentive Range & Quantum



Investor Facilitation

Level of Digitization



- Net SGST Reimbursement and Electricity Duty Exemption are the two major incentives outlined in this policy.
- Unlike other states, there is no specific regional classification. These incentives are available to all eligible units, regardless of their location.
- Punjab offers special incentives to start-up units when compared to other states.
- Incentives are also available to eligible service sectors within MSME and 'Large Units' (Appendix 1), with seven service activities identified as priority sectors.
- Enterprises engaged in manufacturing activities (as outlined in Appendix 2) will not be eligible for incentives.

Note: The information/data used for the ratings is subjective based on our assessment of the policy, the experience of Nexdigm professionals in dealing with State Authorities, digitization of select statutory requirements, etc.

Policy Highlights

Industry Classification

Manufacturing enterprises, for the purpose of the scheme, are classified under different categories based on the quantum of investment in Eligible Fixed Assets (EFA), which have been briefly tabulated below:

Industry	Investment in Eligible Fixed Assets (EFA)
Start-up Units	Units registered for no more than 10 years with an annual turnover not exceeding INR 1,000 million in any previous financial year that are dedicated to innovating, developing, or enhancing products, processes, or services.
MSME Units	Minimum investment in plant & machinery up to INR 500 mn and turnover up to INR 2,500 mn
Large	Units not falling within the definition of MSME units
Mega	Minimum Fixed Capital Investment (FCI) between INR 15,000 mn and INR 25,000 mn, and minimum contract demand of 20 MVA
Ultra-Mega	Minimum FCI above INR 25,000 mn and minimum contract demand of 30 MVA

Thrust Sectors

Every state encourages select sectors based on their competitive strength and advantage such as geographical location, available resources, raw material availability, existing manufacturing practices, and growth potential. This policy recognizes 25 thrust sectors across manufacturing, services, and the circular economy.

Manufacturing

- NRSE Equipment, Energy Storage Devices, Industry 4.0-based Manufacturing
- Textiles
- Agri & Food Processing Industries
- Electronics
- Aerospace & Defense
- Biotechnology, Pharmaceutical, & Lifesciences
- Processing of Agro Waste
- Bicycle & Bicycle Components
- Alloys & Steel
- Auto & Auto Components
- Sport Goods (including fitness equipment)
- Hand Tools
- Agricultural Machinery & Equipment
- Paper-based Packaging Units

Service

- IT & ITeS
- Skill Development Centers, Incubation Centres, & Accelerators
- Healthcare
- Tourism & Hospitality
- Media & Entertainment
- Logistics
- Maintenance, Repair, and Overhaul (MRO) for Aviation & Defense

Circular Economy

- Shredding Units (for auto vehicles and parts)
- Manufacturing of Bio-diesel
- Processing of Plastic Waste
- Waste Management Units



Major Incentives

Several incentives are provided to manufacturing industries based on their investment thresholds/turnover/minimum contract demand in Punjab. The below table covers a range of incentives provided to these enterprises:

Particulars	MSME	Large	Mega	Ultra Mega
Net SGST Reimbursement	100% of net SGST reimbursement for a period of 7 years limited to 100% of FCI*	75% of net SGST reimbursement for a period of 7 years limited to 100% of FCI	100% of net SGST reimbursement for a period of 17 years limited to 200% of FCI	100% of net SGST reimbursement for a period of 20 years limited to 200% of FCI
Power Tariff Subsidy	-	-	Subsidized variable power tariff at the rate of INR 5.50 per kVah for a period of 4 years	Subsidized variable power tariff at the rate of INR 5.50 per kVah for a period of 5 years
Electricity Duty Exemption	100% exemption for a period of 7 years up to 100% of FCI	100% exemption for a period of 10 years up to 100% of FCI	100% exemption for a period of 10 years up to 100% of FCI	
Stamp Duty Exemption	100% Exemption			
Interest Subsidy	5% p.a. limited to INR 0.5 mn p.a. for a period of 5 years to units eligible under the CLCSS**	-	-	-

*Fixed Capital Investment (FCI) encompasses investments in land, buildings, plants, machinery, and equipment.

Note: The policy outlines specific terms and conditions regarding the eligibility period and the items to be considered in the calculation of FCI.

**CLCSS – Credit Linked Capital Subsidy Scheme (CLCSS) of the Ministry of Micro, Small, & Medium Enterprises

Important Notes

Start-up Units

Special incentives are available to start-up units which shall include Interest Subsidy of 8% p.a. limited to INR 0.5 million p.a. for a period of 5 years, 25% lease rental subsidy limited to INR 0.3 million p.a. for a period of 1 year, seed grant of INR 0.3 million, and 100% stamp duty reimbursement on the registration of the Memorandum of Association/Articles of Association (MoA/AoA).

Thrust Sectors

MSMEs and large units in thrust sectors shall be accorded an additional quantum of incentives.

Anchor Units

Anchor units refer to units with a minimum FCI of INR 2.5 billion or units that directly employ a minimum of 1000 individuals. A customized package of incentives will be offered to anchor units based on gestation period, location, technology, the potential to develop ancillary enterprises, the project's importance to the state's industrial growth, and its ability to generate employment. These units must maintain the minimum FCI and employment criteria to be categorized as anchor units as outlined by the policy.

Early Bird Units

Special incentives shall be awarded to 10 early bird units in new industrial parks approved by the state.

Additional Key Incentives

MSME Projects

Additional capital subsidy of 50% of FCI limited to INR 5 million (for micro and small enterprises engaged in thrust sectors), assistance in technology acquisition (50% of expenses limited to INR 0.25 million), reimbursement of expenses incurred for energy, water, environmental clearances (50-75%), reimbursement of expenses incurred for patent registration, and quality certification (75-100%).

Large Projects

50% exemption on Property Tax for a period of seven years.

Mega & Ultra Mega Projects

100% exemption from External Development Charges (EDC) or Change of Land Use (CLU), employment generation subsidy of INR 36,000-48,000 per employee per year for a period of five years, and an additional customized package of incentives based on the investment quantum.



Other Key Policies

Punjab Electric Vehicle Policy 2022

Under the policy, the State Government has set a target of 25% of total annual vehicle registrations being Electric Vehicles (EVs) by 2025. Purchase incentives are applicable to the first 20,000 owners of e-cycles (up to 25-33%), the first 10,000 owners of e-rickshaws (up to INR 15,000 per vehicle), and the first 5,000 owners of EV commercial vehicles (up to INR 30,000-50,000 per vehicle).

Integrated Logistics & Logistics Park Policy, 2023

The policy aims to establish an effective and efficient logistics ecosystem to support the vision set forth in the Punjab Industrial and Business Development Policy 2022. The major fiscal incentives include up to 100% Electricity Duty Exemption for 10 years, up to 100% net SGST reimbursement, up to 100% Stamp Duty Exemption, etc.

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Sources:

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Appendix 1

The list of service sector companies eligible for incentives under the policy is covered below:

- IT & ITeS
- Life Sciences
- Skill Development Centers, Incubation Centers, & Accelerators
- Healthcare
- Tourism & Hospitality
- Media & Entertainment
- Logistics
- Maintenance, Repair, & Overhaul (MRO) in Aviation and Defense
- Industrial R&D Labs, Industrial Testing Labs
- Engineering & Design Services
- Equipment Rental & Leasing (construction and industry related)
- Equipment Maintenance and Repair
- Environment Services (sewage/refuse disposal)
- Common utility services such as steam, air, water, & STP
- Printing Presses, Offset Printing Presses, Flexi/Vinyl Printing, & Flexo Printing
- Design Studios (with investment of more than INR 0.50 million on machinery & equipment)
- Auto Servicing/Repairing units (with investment of more than INR 0.50 million on machinery & equipment)
- Packaging Activities (with investment of more than INR 0.50 million on machinery & equipment)
- Any other service enterprises notified by the State Government for inclusion in the list

Appendix 2

Investments in the sectors mentioned below are not eligible for incentives:

- Manufacturing/packing of all alcoholic products (subject to a few exceptions)
- Manufacturing of tobacco products including cigars, cigarettes, and gutka
- Brick/tile kilns (except fly ash-based bricks/tiles and other concrete products manufactured by machinery/equipment other than kilns)
- Vanaspati ghee mills
- Rice shellers

About Nexdigm

Nexdigm is an employee-owned, privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise enables us to provide customized solutions for our clients.

We provide integrated, digitally driven solutions encompassing Business and Professional Services, that help companies navigate challenges across all stages of their life-cycle. Through our direct operations in the USA, Poland, UAE, and India, we serve a diverse range of clients, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries.

Our multidisciplinary teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

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We have been recognized over the years by global organizations, like the International Accounting Bulletin and Euro Money Publications, World Commerce and Contracting, Everest Group Peak Matrix® Assessment 2022, for Procurement Outsourcing (PO) and Finance and Accounting Outsourcing (FAO), ISG Provider Lens™ Quadrant 2023 for Procurement BPO and Transformation Services and Global Sourcing Association (GSA) UK.

Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to **Think Next**.

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