

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Industries & Commerce Department- Andhra Pradesh Aerospace and Defence Policy (4.0) 2025-2030- Orders - Issued.

=====

INDUSTRIES & COMMERCE (P&I) DEPARTMENT

G.O.Ms.No.111

Dated:27-06-2025

Read:

e-file No. INC01/119/2025-P-I (Computer No.2830110)

@@@

ORDER:

Government Andhra Pradesh aims to become a hub for A&D production by leveraging its strengths in shipbuilding, aerospace manufacturing, and precision electronics. With focused investments, progressive policies, and skill development initiatives, the state is poised to emerge as a gateway to India's A&D future, contributing to economic growth, technological innovation, and national security. Accordingly, the Director Industries has submitted Andhra Pradesh Aerospace and Defence Policy (4.0) 2025-2030, with an aim to make Andhra Pradesh a global R&D and manufacturing hub in the aerospace and defence sector - propelling India as a world leader with strategic autonomy and self-reliance.

2. The Andhra Pradesh Aerospace and Defence Policy (4.0) 2025-2030 aims to address the evolving needs and challenges of the sector and will focus on setting up state-of-the-art infrastructure, with a conducive regulatory environment, and help foster innovation. The policy will also aim to promote skill development and generating employment opportunities to meet the rising demand of the sector. The policy emphasises collaboration between academic institutions, industries, and research organizations to drive technological advancements. Supporting MSMEs, startups, and large enterprises to create an integrated and robust supply chain ecosystem is also a key focus.

3. The Director of Industries, A.P. has informed that the policy will identify Anchor units for A&D Clusters, attract new investments worth INR 1 Lakh Cr., develop sub-sector focused MSME parks in hub & spoke Model and Create employment opportunities for 1 Lakh people in the coming 5 years.

4. Government after careful examination of the proposal, here by introduce the Andhra Pradesh Aerospace and Defence Policy (2.0) 2025-2030. The detailed policy document is appended at Annexure-I.

(p.t.o.)

5. The Andhra Pradesh Aerospace and Defence Policy (4.0) 2025-2030 is valid for a period of 5 years from the date of issue of GO for the policy or till a new Policy is announced. The policy may be amended and modified during implementation; however, all such amendments and modifications shall be applied prospectively and shall not curtail any benefit or concession already granted under the policy.

6. This order issues with the concurrence of the Finance (FMU-I&I, Energy, I&C) Department vide their U.O. No. FIN01-FMU0ASD(IC)/8/2025 dt:23.06.2025 (Computer No. 2832414).

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

N.YUVARAJ
SECRETARY TO GOVERNMENT

To

The Director of Industries, A.P., Mangalagiri.

The Vice Chairman & Managing Director, Andhra Pradesh Industrial
Infrastructure Corporation, Mangalagiri.

The Infrastructure & Investment Department

The Revenue (CT/LA) Department.

The Water Resources Department.

The Energy Department.

Copy to:

The Finance (FMU-I&I, Energy and I&C) Department.

The Law (H) Department

The Accountant General, Andhra Pradesh.

The Chief Commissioner of Taxes.

The P.S. to Secretary to Chief Minister.

The P.S. to Hon'ble Minister (Ind. & Comm. Food Processing).

The P.S. to Chief Secretary to Government of Andhra Pradesh.

The P.S. to Secretary to Government & CIP, Industries & Commerce Dept.,

The G.A. (Cabinet.I) Department.

SC/SF. (Comp.No.2830110)

//FORWARDED::BY ORDER//


SECTION OFFICER

ANNEXURE-I



Andhra Pradesh
Aerospace and Defence Policy(4.0)
2025 to 2030

Table of Contents

1.	Preamble	3
2.	Vision, Objectives and Targets	4
3.	Policy Period and Applicability	7
4.	Development Strategy	9
5.	Non-Fiscal Support	12
6.	Fiscal Support	14
7.	Other relevant GoAP policies	26
8.	Policy Implementation	26
9.	Annexures	27

1.Preamble

- 1.1. India's position as a global leader in economic growth and defence spending continues to drive significant advancements in the Aerospace and Defence (A&D) sector. With a projected GDP growth of 7–8% annually and strategic initiatives such as “Make in India”, the country is experiencing robust growth in defence production and exports. India now ranks as the 4th largest defence spender globally, accounting for 3.4% of global military expenditure, with a record defence budget of INR 6.81 lakh crore (USD 77.4 billion) for FY 2025–26. This reflects the nation's commitment to achieving strategic autonomy and building a self-reliant defence manufacturing ecosystem.
- 1.2. The domestic defence manufacturing ecosystem has seen transformative progress, achieving a production milestone of INR 1.46 Trillion in FY 2024–25, with private sector firms contributing 21%. This growth is underpinned by a robust supply chain involving over 12,000 MSMEs. Defence exports have surged thirty-fourfold over the past decade, reaching INR 23,622 crore (USD 2.84 billion) in FY 2024–25, with a target of INR 50,000 crore (USD 6.02 billion) by FY 2028–29.
- 1.3. Policy support has been instrumental in this growth, including the establishment of Defence Industrial Corridors, allowance of 100% FDI in defence manufacturing, and the inclusion of 509 items in the Positive Indigenization List. These measures have fostered a conducive environment for innovation, collaboration, and investment across the defence manufacturing value chain.
- 1.4. Andhra Pradesh is strategically positioned to capitalize on these opportunities due to its geographic advantage, world-class port infrastructure, thriving industrial ecosystem as well as proximity to the other A&D hubs in the country like Karnataka and Telangana. The state aims to become a hub for A&D production by leveraging its strengths in shipbuilding, aerospace manufacturing, and precision electronics. With focused investments, progressive policies, and skill development initiatives, Andhra Pradesh is poised to emerge as a

gateway to India's A&D future, contributing to economic growth, technological innovation, and national security.

2. Vision, Objectives and Targets

2.1. Need of the policy

1. The new Aerospace and Defence (A&D) policy is an upgraded version of the previous one, addressing the evolving needs and challenges of the sector. This updated policy will focus on setting up state-of-the-art infrastructure, with a conducive regulatory environment, and help foster innovation. The policy will also aim to promote skill development and generating employment opportunities to meet the rising demand of the sector.
2. Furthermore, the policy emphasizes collaboration between academic institutions, industries, and research organizations to drive technological advancements. Supporting MSMEs, startups, and large enterprises to create an integrated and robust supply chain ecosystem is also a key focus. Offering financial incentives and simplifying approval processes will attract both domestic and international investments.

2.2. Vision

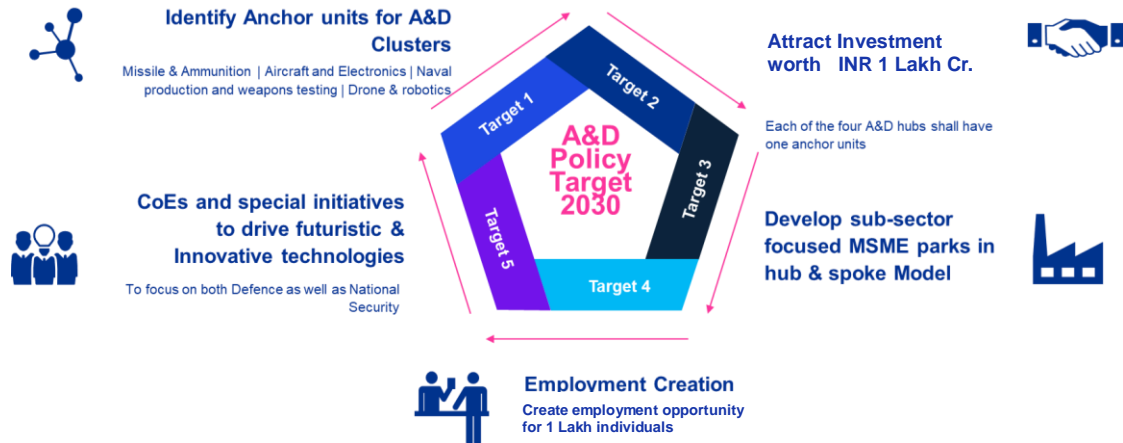
"To make Andhra Pradesh a global R&D and manufacturing hub in the aerospace and defence sector – propelling India as a world leader with strategic autonomy and self-reliance"

2.3. Targets

To measure the effectiveness of the policy implementation by the end of the policy period, following targets have been set

- a. Identify Anchor units for A&D Clusters
- b. Attract new investments worth INR 1 Lakh Cr.
- c. Develop sub-sector focused MSME parks in hub & spoke Model

- d. Create employment opportunities for 1 Lakh people in the coming 5 years.
- e. Centers of Excellence (CoEs) and special initiatives to drive futuristic & Innovative technologies, with focus on both defence as well as national security.



2.4. Guiding principles for the policy

To position Andhra Pradesh as a globally recognised hub for defence innovation and advanced manufacturing, the state shall adopt the following six guiding principles:

- a. **Optimized Land Use:** Andhra Pradesh will develop plug-and-play Aerospace & Defence (A&D) zones near industrial hubs, ensuring regulatory compliance and flexible land payment options.
- b. **Defence Clusters:** The state will set up specialized defence manufacturing clusters with shared infrastructure like Common Facility Centers (CFCs) to boost collaboration, innovation, and cost efficiency. MSME parks with sub-sector focus will be developed within these clusters, in a hub and spoke model.
- c. **R&D and Innovation:** The policy supports R&D through Centres of Excellence, innovation platforms, and academia-industry partnerships, aiming to advance technology and prototype development, with focus on futuristic technologies, both for defence as well as national security purposes.

- d. **Self-Reliance:** Emphasis will be on indigenous defence production, localizing critical components, and promoting Make in India to strengthen supply chains and reduce import dependency.
- e. **Logistics & Cost Efficiency:** Infrastructure development, including transport corridors and A&D parks, will improve logistics and lower production costs, enhancing global competitiveness.
- f. **Start-up Ecosystem:** The state will nurture A&D start-ups via incubation, funding, testing support, and mentorship, encouraging innovation and integration into the defence value chain.

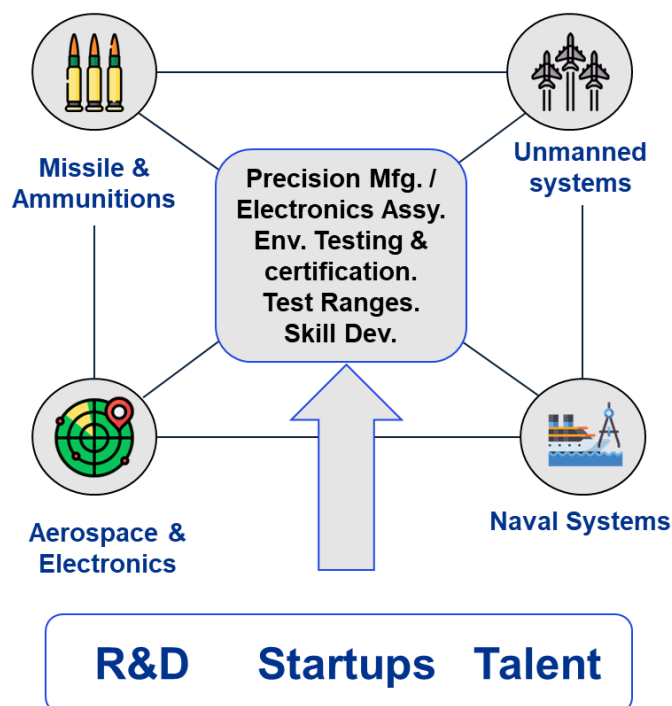
2.5. Strategic Enablers

The development plan will rest on seven core strategies to accelerate ecosystem creation and ensure long-term competitiveness: -

- a. **Create business opportunities & attract anchor units** - High-potential investment proposals will be fast-tracked, and anchor units will be incentivized to create downstream MSME participation.
- b. **Build R&D ecosystem and support startups** - CoEs, incubators, and public-private R&D centres will be promoted to build IP and facilitate early-stage defence startups.
- c. **Establish A&D tech parks** - Thematic parks with plug-and-play infrastructure will be developed to house aerospace, electronics, and precision manufacturing units.
- d. **Build vendor ecosystem** - Tier-2 and Tier-3 suppliers will be supported through targeted vendor development and capacity-building programs.
- e. **Create common assembly, storage, testing & training facilities** - Shared facilities will be planned to reduce capex burden on small manufacturers and improve access to defence certification.
- f. **Create skill development schemes & institutes** - Partnerships with industry, academia, and skilling agencies will be fostered to create job-ready manpower tailored for the A&D sector.

- g. A&D Industry Facilitation Division - A dedicated cell shall assist investors with policy guidance, handholding, single-window clearances, as well as exports
- h. Interconnected clusters for R&D, startups, and talent: The A&D ecosystem will be anchored around interconnected thematic clusters that integrate R&D, Startups, and Talent development with manufacturing and testing infrastructure. Each cluster shall specialize in a key sub-domain such as:
 - a. Aerospace & Electronics
 - b. Missile and Ammunitions
 - c. Unmanned Systems
 - d. Naval Systems

Interconnected Thematic clusters with common area for Manufacturing, testing, certification & training



3. Policy Period and Applicability

3.1. Policy Period

This policy shall be valid for a period of 05 years from the date of the policy notification, or till a new policy is announced.

The policy may be amended and modified during implementation if any need arise. However, all such amendments and modifications shall be applied prospectively and shall not curtail any benefit or concession already granted under the policy.

3.2. Policy Applicability

The incentive under this policy is applicable to all Defence Public Sector Undertaking (DPSUs), Private Industries including MSMEs investing in new or expansion projects for Aerospace and defence Manufacturing and Maintenance Repair & Overhaul (MRO) activities.

To be eligible for incentives under this policy, the projects (both new or expansion) should have commenced production in the policy period.

Aerospace and Defence related activities shall include

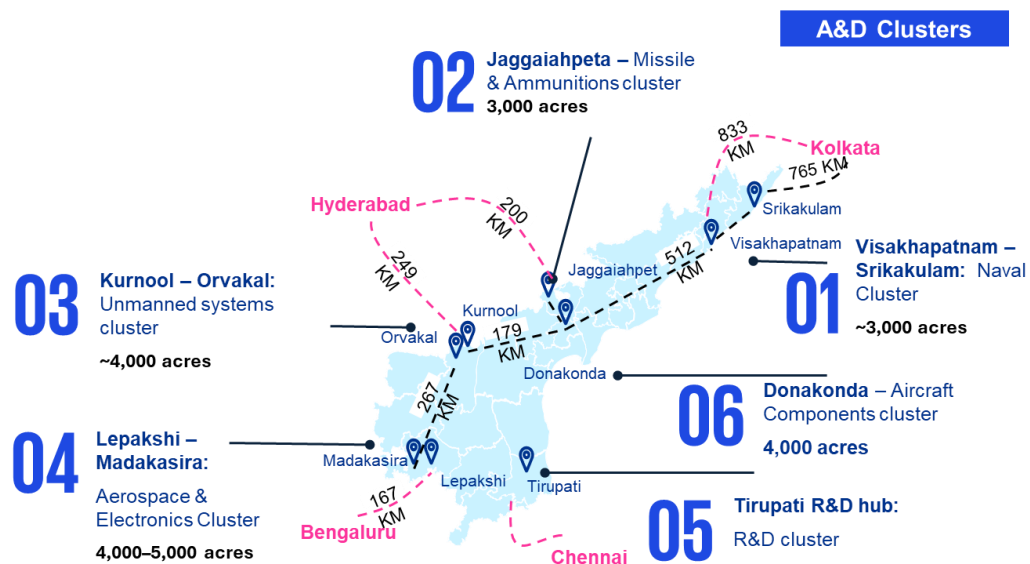
1. Activities listed in annexure 9.1
2. Components identified as Positive Indigenization List (PIL) by Department of Defence Production (DDP) and Department of Military Affairs (DMA).
3. The list of items categorized under the MAKE initiative as outlined in the Defence Acquisition Procedure (DAP) of the Government of India.
4. Maintenance, Repair, and Overhaul (MRO) services involved in ensuring the operational readiness, longevity, and efficiency of Aircraft, Defence & Naval equipment, and related systems.
5. Defence Technology & Test Centres (DTTCs) for advanced testing
6. Specialized testing ranges, simulation centers, and training academies for Indian Army, Navy, and Air Force.
7. Centres of Excellence for R&D and innovation in Aerospace and Defence sector
8. MSMEs and Startups working on any part of the above value chain will also be eligible for getting support under this policy.
9. Any activity that's not covered in the above, will be evaluated and approved on a case-to-case basis.

4. Development Strategy

The state of Andhra Pradesh is committed to establishing a robust Aerospace and Defence (A&D) sector through a comprehensive development plan. This plan will focus on creating interconnected thematic nodes with common areas for testing and storage, fostering innovation, and building a skilled workforce.

4.1. Interconnected thematic clusters

These nodes will act as strategic hubs, leveraging proximity to existing A&D facilities and infrastructure to enable seamless integration of industries, supply chains, and support services. Thematic nodes will include:



a. Cluster No. 1 – Naval Cluster: Visakhapatnam – Srikakulam

The Naval hub will be focused on specialized shipbuilding, naval systems, and maritime R&D. It will leverage the region's coastal strengths to support indigenous manufacturing, testing, and MRO services, enhancing operational readiness. This cluster will boost the local economy through job creation, infrastructure development, and skill-building, while strengthening India's defence ecosystem by reducing import dependency and fostering innovation in naval technologies.

b. Cluster No. 2 – Missiles and Ammunition

Cluster: Jaggaiahpet

This cluster will focus on the development and production of strategic defence systems such as missiles, ammunition, and components. Located in Jaggaiahpet, it will support end-to-end capability development, including design, testing, and assembly infrastructure. The initiative aims to reduce import dependency and enhance indigenous production for both domestic and global defence needs.

c. Cluster No. 3 – Unmanned systems

Cluster: Kurnool – Orvakal

The Kurnool-Orvakal hub is well-suited for unmanned systems, robotics, and component manufacturing, ensuring India remains at the forefront of next-generation warfare technologies.

d. Cluster No. 4 – Aerospace and Electronics

Cluster: Lepakshi – Madakasira

This cluster will specialize in aerospace systems including aircraft assembly, R&D-led production of advanced aerospace systems and subsystems, avionics, and electronic warfare systems. Anchored in Lepakshi and Madakasira, it benefits from proximity to Bengaluru, fostering industry-academia collaboration and innovation. It will serve as a Centre of Excellence for electronic subsystems critical to modern defence platforms.

e. Cluster No. 5 - R&D

Cluster: Tirupati

Furthermore, recognizing the critical need for strengthening defence R&D, Andhra Pradesh proposes the establishment of a DRDO Industry-Academia Center of Excellence (DIA-CoE) at IIT Tirupati and give formal recognition to Tirupati as the fifth hub dedicated to R&D in advanced defence technologies and innovations.

f. Cluster No. 6–Aircraft Component: Donakonda

This cluster will focus on the precision manufacturing and assembly of aircraft components, including but not limited to airframes, propulsion systems, landing gear, and structural subassemblies. It will support both civil and defence aviation sectors through high-quality, scalable production capabilities.

These hubs will align with the national objective of enhancing indigenous defence production, fostering self-reliance, and reducing import dependency on critical military technologies. By integrating cutting-edge manufacturing, research & development, and supply chain networks, these hubs will attract investments from Defence Public Sector Undertakings (DPSUs), private industries, and emerging defence startups.

4.2. Common facilities and storage area

- a. An area will be earmarked and designated to establish (1) common facilities for testing and R&D purposes as well as for (2) shared resources and area for common storage of weapons and equipment. This will result in reduced costs and enhanced efficiency. The key features of the proposed facility are as follows:
 1. Access to critical facilities - Industry stakeholders will have access to specialized testing equipment and labs, enabling them to validate and enhance the performance of their products. Additionally, the facility will also include designated common storage areas, providing essential infrastructure for the efficient handling and assembly of components.
 2. State support –
 - The state government will work with organizations like DRDO, ISRO and DPSUs to develop common testing and R&D facilities in each of the hubs like environmental testing etc.
 - The state government will also work with all concerned stakeholders, including private industries, to have common storage facilities in each of the hubs.

4.3. Operating Models for Shared Innovation / R&D and Testing Facilities

The Government of Andhra Pradesh proposes the below model for setting up shared facilities to foster innovation and technological advancement in the Aerospace and Defence (A&D) sector.

- a. For R&D centers: State Government will work with other Government R&D entities to collaborate and work towards setting up of government funded R&D centers
- b. For Testing facilities: State Government will support private industries and work towards setting up testing facilities in the state by collaborating with both the government entities and private industries.
- c. For common storage facilities: The state government will support the private industry in setting up of common storage facilities in the state.

5. Non-Fiscal Support

5.1. Flexible Land procurement options

Land costs are a significant part of the overall investment in setting up a manufacturing facility. With commitment to reduce cost of production, the policy is providing flexible land holding options.

- a. For private sector entities (including MSMEs and startups) with consolidated revenues in the previous financial year being less than INR 500cr, the policy offers below land holding options.
 1. Upfront payment – Pay upfront to acquire land title
 2. Staggered payment - Payment in parts of the total land cost spread over a period of 3-5 years which can be decided based on the investment planned in the state and the product portfolio of the planned facility
 3. Lease and buy model - The State Nodal Agency for Land allotment (APIIC), will lease the land to the company for a period ranging between 5-10 years with an option to buy the land (at a pre-

determined price which will be fixed at the time of leasing the land) or submit the land back to APIIC at the end of lease period.

- b. The PSUs and DPSUs along with private industries (with consolidated revenues more than INR 500 Cr) will need to pay upfront for the land procurement.
- c. Andhra Pradesh Industrial Infrastructure Corporation (APIIC) is the nodal agency in the state, which decides on land allotment procedures and allotment of government lands for industrial use.

5.2. Plug and Play Infrastructure in Industrial Parks

The state has identified land bank of ~ 23,000 acres for establishment of Aerospace and Defence hubs across the state. The government nodal agency for Land, Andhra Pradesh Industrial Infrastructure Corporation (APIIC), along with line departments will facilitate creation of truck infrastructure internal as well as external to the parks, including approach road, power connectivity, water connectivity.

To facilitate quick turnaround time for park development, the state through Private Parks policy is incentivizing private developers for Industrial Park Development on Private lands or Government lands.

5.3. Industrial Housing near Integrated Parks

To enable enterprises, increase their retention rate of their employees, provisions for industrial housing, with common amenities shall be encouraged at the time of layout approvals for the parks. Land allotment will be facilitated.

5.4. Single Desk Approval mechanism

Andhra Pradesh has been a consistent top performer in Ease of Doing Business rankings. The state has robust single desk portal, where project proponents can attain approvals at one place with defined SLAs.

Andhra Pradesh Economic Development Board (APEDB) is the state nodal agency for Investment Promotion, which acts as single point of contact to facilitate investments in the state.

5.5. A&D Facilitation Division

A dedicated facilitation division for Aerospace & Defence (A&D) will be established under the state nodal agency for Investment Promotion, APEDB, providing policy guidance, investor support, sector-specific export promotion and single-window clearance to streamline processes and enhance ease of doing business in the sector.

5.6. Dedicated Corpus fund to support startups and R&D

The state will establish a INR 100 crore corpus to support startup-driven innovation, develop Centers of Excellence, and accelerate the commercialization of research, fostering a dynamic ecosystem for cutting-edge advancements in Aerospace & Defence.

6. Fiscal Support

Under this policy, the beneficiary groups for incentives are categorised based on their Fixed Capital Investments (FCI), as under

Category	Investment Band	Investment Period
Micro Small Medium Enterprises	As per GoI definition	2 years
Large Enterprises	above INR 125 Cr and upto to 500 Cr	3 years
Mega Enterprises	above INR 500 Cr	4 years

The incentives and concessions are applicable for both Manufacturing and Services activities.

To encourage entrepreneurship from all sections of the society, special category enterprises are given higher incentives.

Special Category shall include – enterprises wholly owned or holding majority stake by women/ BC/ SC/ ST/ minority/ specially-abled/ transgender entrepreneurs having domicile in the state.

6.1. Definitions

S.No	Term	Definition
1.	Anchor OEM	a) Minimum eFCI is INR 300 Cr b) Minimum order size of INR 30 Cr (or) c) Supply min. 25% of the production to any of <ul style="list-style-type: none"> i. Home Ministry (Gol). ii. Equivalent authorized organizations in foreign countries. iii. Civil Aerospace Manufacturers/Suppliers. iv. Repair and Overhaul (MRO) units. v. Ministry of Defence entities
2.	Anchor Supplier	a) Minimum eFCI of INR 300Cr. b) Min. 50% turnover should be from supply to A&D industry in India c) Suppliers categorized based on their position in the supply chain to A&D industry in India (OEM, Tier I, II, III suppliers)
3.	Regular Supplier (Large & Mega)	a) Minimum eFCI is INR 125 Cr b) Supply min. 25% of the production to any of <ul style="list-style-type: none"> i. Home Ministry (Gol). ii. Equivalent authorized organizations in foreign countries. iii. Civil Aerospace Manufacturers/Suppliers. iv. Repair and Overhaul (MRO) units. v. Ministry of Defence entities
4.	Regular Supplier (MSME)	a) Investment – as per Gol definition b) Min. 50% of turnover from supply to any of – Anchor/ non-anchor OEM Anchor/ non-Anchor Supplier DPSU – operating in AP c) MSME definition will be as that defined by Government of India from time to time.
5.	Eligible Fixed	a) For Large and Mega investments - only investment in Plant, Machinery and equipment. Eligible FCI do not

S.No	Term	Definition
	Capital Investment (eFCI)	include investment made towards land and building costs. b) For MSMEs - investment in Plant, Machinery and equipment including cost incurred toward Land and Building expenses.

6.2. Incentive structure for MSMEs

MSMEs can avail all or any combination of the following list of incentive categories, provided overall incentive claim does not exceed 75% of Fixed Capital Investment made in the state.

a. Investment Subsidy

Enterprise	General	Special
Micro	25% of FCI (Cap- INR 60 Lakh) on CoD/1st invoice in 2 annual installments	45% of FCI (Cap- INR 60 Lakh) on CoD/1st invoice in 2 annual installments
Small	25% of FCI (Cap- INR 6 Cr) on CoD/1st invoice in 3 annual installments	45% of FCI (Cap- INR 6 Cr) on CoD/1st invoice in 3 annual installments
Medium	25% of FCI (Cap- INR 10 Cr) on CoD/1st invoice in 4 annual installments	35% of FCI (Cap- INR 10 Cr) on CoD/1st invoice in 4 annual installments

b. Technology Transfer Subsidy

MSMEs that successfully enter Technology Transfer agreements with national or international organizations are eligible for the Technology Transfer subsidy. These enterprises can receive 50% of the technology acquisition cost, up to a maximum of INR 1 crore. The incentive will be distributed over a four-year period, starting from the Date of Commencement of Production (DCP).

c. Power Subsidy

Category	Micro Enterprise	Small Enterprise	Medium Enterprise
General (Manufacturing & Service activities)	INR 1 per unit for 5 yrs from DCP at INR 1 Lakh per annum	INR 1 per unit for 5 yrs from DCP at INR 5 Lakh per annum	INR 1 per unit for 5 yrs from DCP at INR 15 Lakh per annum
Special Category (Manufacturing & Service Activities)	INR 1.5 per unit for 5 yrs from DCP at INR 1 Lakh per annum	INR 1.5 per unit for 5 yrs from DCP at INR 5 Lakh per annum	INR 1 per unit for 5 yrs from DCP at INR 15 Lakh per annum

d. Net SGST Reimbursement

MSME units can avail reimbursement of 100% net SGST payable on the sale of final products manufactured and sold in the State, not exceeding 100% FCI made in the project. The subsidy can be availed for a period of 5 years from the date of commercial production.

e. Logistics Subsidy

Defence and aerospace units are eligible to avail logistics subsidy

1. To transport the finished products to the Logistics Park / Transport Hub, Harbor / Port - 30% of transportation cost limited to INR 50 Lakh per annum for a period of 4 years from DCP.
2. To import Plant, Machinery, equipment from Logistics Park/ Transport Hub/Harbor/Port to the Production Site located in the State - 50% of transportation cost limited to INR 2 Cr per enterprise.

This subsidy will be applicable on the transportation of equipment by Defence and aerospace units for those projects whose contract value is Rs. 50 crore or more, the subsidy will be provided on commencement of production for the first year.

f. Branding & Marketing Assistance

To encourage MSMEs participation in trade summits (both National or International) for promotion of their products and solutions, the policy offers 25% of cost incurred for travel, stall and creatives cost, with a limit of INR 1 Cr per annum per enterprise for 3 yrs.

g. Quality Certification Cost Subsidy

Products obtaining certification from Directorate General of Quality Assurance (DGQA), Center for Military Airworthiness and Certification (CEMILAC), Naval Inspection Directorate (NID), Standardization Testing and Quality Certification (STQC), Bureau of Indian Standards (BIS), Automotive Research Association of India (ARAI), Electronics Test & Development Center (ETDC) or any other recognized national international certification agencies shall be eligible for a subsidy of 50% of the total cost incurred for obtaining the certification, limited to Rs. 1 crore per enterprise.

h. Skill Development Assistance

MSMEs are encouraged to upgrade and train their workforce on latest skills in the sector, for which policy enables them to claim skill development assistance of 50% training cost with a cap of INR 3 Lakh per enterprise.

Further, Andhra Pradesh State Skill Development Corporation (APSSDC) will facilitate firms to streamline incentives under employment linked incentives notified by government of India from time to time.

i. Rebate on Land cost

Industrial units availing plots inside parks where APIIC has allotment rights are eligible for 75% of land cost limited to Rs.25.00 Lakh. The rebate is applicable only to SC/ST led Enterprises. The subsidy can be availed at the time of settling payment for land with APIIC.

j. Stamp Duty and Transfer Duty Reimbursement

1. 100% stamp duty and transfer duty paid by the industry on purchase of land meant for industrial use will be reimbursed.

- 100% stamp duty for lease of land/shed/buildings, mortgages and hypothecations will be reimbursed.
 - Stamp duty will be reimbursed only one time on the land. Stamp duty will not be reimbursed on subsequent transactions on the same land.
2. Land conversion charges - 100% fee charged for land conversion will be reimbursed.

k. De-carbonization subsidy

1. To encourage circular economy, clean production, waste reduction, resource efficiency, green energy and safety measures government will incentivize responsible investors with de-carbonization subsidy.
2. Investment incurred towards plant and machinery for de-carbonization intervention will receive capital subsidy as a percentage of eligible project cost.

#	Category	Non-Red category (Incentive as % of eligible project cost)	Red category (Incentive as % of eligible project cost)	Maximum incentive (% of FCI)
1	MSME	10%	15%	6%

3. The total incentive under this category will be limited to a maximum of 6% of FCI.
4. The incentive is applicable for projects that are built for captive use.
5. Incentive will be disbursed according to the tenure specified for the respective investment band in the investment subsidy.

6.3. Incentive structure for Large Enterprises

Large firms can avail all or any combination of the following list of incentive categories, **provided overall incentive claim does not exceed 100% of Fixed Capital Investment** made in the state.

a. Investment Subsidy

Large Enterprises shall be eligible for 15% of eFCI with maximum cap limits as tabulated below -

	Maximum Cap	Disbursement period
Anchor OEM or Supplier	INR 75 Cr	3 years
Other enterprises	INR 60 Cr	5 years

The standard investment period for all Large enterprises is 3 years.

b. Technology Transfer Subsidy

Large enterprises that successfully enter Technology Transfer agreements with national or international organizations are eligible for the Technology Transfer subsidy. These enterprises can receive 50% of the technology acquisition cost, up to a maximum of INR 1 crore. The incentive will be distributed over a four-year (4) period, starting from the Date of Commencement of Production (DCP).

c. Employment Subsidy

Projects showing higher Direct employment to investment (FCI) ratio will be incentivized with the employment creation subsidy.

Employment to Investment (E/I) ratio	Eligible incentive (% of FCI)
5 and above	10% of FCI
3-5	9% of FCI
1-3	8% of FCI
Less than 1	NIL

The eligible incentive will be disbursed in equal annual installments of 7 years from DCP.

1. Employment means direct employment, including full-time and contractual, on payrolls of the enterprise, falling under the definition of verified employment.
2. For computation of E/I ratio, Employment shall be in whole number, and Investment (means investment in plant, machinery and equipment) shall be in INR crores. The ratio will be rounded up to nearest one digit decimal.

d. Logistics Subsidy

Defence and aerospace units are eligible to avail logistics subsidy

1. To transport the finished products to the Logistics Park / Transport Hub, Harbor / Port - 30% of transportation cost limited to INR 50 Lakh per annum for a period of 4 years from DCP.
2. To import Plant, Machinery, equipment from Logistics Park/ Transport Hub/Harbor/Port to the Production Site located in the State - 50% of transportation cost limited to INR 2 Cr per enterprise.

This subsidy will be applicable on the transportation of equipment by Defence and aerospace units for those projects whose contract value is Rs. 50 crore or more, the subsidy will be provided on commencement of production for the first year.

e. Rebate on Land cost

1. The first five anchor OEMs or suppliers, taking possession of land from APIIC, will receive a 25% rebate on the gross selling price of land. The five anchor investments will be allowed to utilize 20% of land area for ancillaries.
2. Other eligible large-category beneficiaries under the policy will be entitled to a 10% rebate on the gross selling price of land.
3. The subsidy is capped at 15% of the Fixed Capital Investment (FCI). The subsidy can be availed at the time of settling payment for land with APIIC.

f. Top-up on PLI from Government of India

1. This incentive is in addition to the investment subsidy, applicable only for those projects that received GoI approval under PLI scheme or any other GoI scheme notified by the state from time to time.
2. State government will give 10% of the total incentive amount sanctioned for the project under the GoI Scheme, capped at a maximum of 5% of FCI made in the state.
3. The incentive is eligible only to the extent of investment committed to GoI and proportionate FCI made in AP.

4. Incentive shall be disbursed in 5 equal annual installments from the DCP.

g. Net SGST Reimbursement

1. 100% net SGST payable on the sale of final products manufactured, sold, and registered.
2. in the State, will be reimbursed for a period of 5 years from the date of commercial production.

h. De-carbonization subsidy

1. To encourage circular economy, clean production, waste reduction, resource efficiency, green energy and safety measures government will incentivize responsible investors with de-carbonization subsidy.
2. Investment incurred towards plant and machinery for de-carbonization intervention will receive capital subsidy as a percentage of eligible project cost.

#	Category	Non-Red category (Incentive as % of eligible project cost)	Red category (Incentive as % of eligible project cost)	Maximum incentive (% of FCI)
1	Large	20%	25%	6%

3. The total incentive under this category will be limited to a maximum of 6% of FCI.
4. The incentive is applicable for projects that are built for captive use.
5. Incentive will be disbursed according to the tenure specified for the respective investment band in the investment subsidy.

i. Stamp Duty reimbursement

1. 100% stamp duty and transfer duty paid by the industry on purchase of land meant for industrial use will be reimbursed.
2. 100% stamp duty for lease of land/shed/buildings, mortgages and hypothecations will be reimbursed.
3. Stamp duty will be reimbursed only one time on the land. Stamp duty will not be reimbursed on subsequent transactions on the same land.

j. Land conversion charges

1. 100% fee charged for land conversion will be reimbursed.

k. Local Procurement Subsidy

To promote domestic raw material sourcing, exporting units, with eligible activity under the policy, registered in the state, can claim a 1% reimbursement on annual turnover, accumulated over the financial year.

To qualify, enterprises must generate at least 20% of their turnover from exports and source at least 20% of their input materials from within the state.

The incentive is available for new and expansion projects and can be claimed annually for up to 3 years or until the policy period ends, whichever is earlier, upto a maximum cap of INR 10 Crores.

6.4. For Startups

#	Category	Incentive
For Students and Startups		
1	Startup Grants	<p>To convert innovative ideas into test solution or proof of concept</p> <ol style="list-style-type: none">1. Upfront initial grant of up to Rs.2 Lakhs2. Grant up to 15 Lakhs for startups, in a phase wise manner, based on existing phase of that startup is in and performance at previous stage, until product viability is reached.3. This grant will be capped to total of 15 Lakhs in total to one startup.4. Separate grand challenges/hackathons may be launched by Spoke Centers or departments of Government of Andhra

#	Category	Incentive
		Pradesh. The Spoke Centers will facilitate participation of startups in the same. The prize money/incentive may be announced at the time of announcement of the challenge/hackathon.
2	Grants for Woman/BC/SC/ST/Minority/Differently Abled & Others led startup	<ol style="list-style-type: none"> 1. Grant up to 20 Lakhs for startup with a founder from Women/ BC /SC /ST /Minority /Differently Abled & Others. 2. The grant will be given in a phase wise manner, based on existing phase of that startup is in and performance at previous stage, until product viability is reached. 3. This grant will be capped to total of 20 Lakhs in total to one startup. 4. Separate grand challenges/hackathons may be launched by Spoke Centers or departments of Government of Andhra Pradesh. The Spoke Centers will facilitate participation of startups in the same. The prize money/incentive may be announced at the time of announcement of the challenge/hackathon.
3	Interest subsidy	8% on term loan.
4	Seed funding with Equity	Up to 50 Lakhs, based on equity sharing model.
5	Go to market support	Up to 50 Lakhs, based on equity sharing model.

#	Category	Incentive
6	Support for attending events/ Fairs etc.	75% of cost, up to 3 Lakhs, incurred towards registration, travel, lodging and boarding expenses. Maximum of 1 event per year per startup.
7	Accelerator program support	50% of cost fee re-imbursement, for acceleration programs, up to 2 Lakhs per program. Maximum 2 programs per startup.
8	Patent filing cost	50% of patent expenses incurred, up to 2 Lakh India patent, 10 Lakh for foreign patent
9	SGST reimbursement	100% reimbursement for startups for 5 years.
10	Need Based Seed funding with equity,for Deeptech& Advanced tech Startups	I. Up to INR 1 Cr II. 100% rental Subsidy for workstations in notified co-working/ neighborhood work/ MSME Parks for 30 employees for one year

All startups will be facilitated through the “Andhra Pradesh Innovation & Startup Policy 4.0” and the Ratan Tata Innovation Hub network.

6.5. Incentives for MRO

All aerospace and defence sector MRO units in Andhra Pradesh will be eligible for the same incentives and subsidies as any other manufacturing or services entity as per this policy based on the eFCI they invest in the state.

6.6. Incentives for R&D

Firms will get eligible incentives as per the Andhra Pradesh Research & Development Policy

6.7. Incentive structure for Mega Enterprises

The Government will extend tailor-made benefits to mega and above projects to suit particular investment requirements on case-to-case basis based on the

gestation period, pioneering nature, locational aspects, technology, project's importance to the state's industrial growth and its ability to generate large scale employment for people or revenues for the state.

7. Other relevant GoAP policies

The Government of Andhra Pradesh has notified various policies in order to develop the ecosystem. Firms and their suppliers can alternatively choose to apply under any of the following policies. However, any entity will be limited to apply under any one policy only.

S.No	Name of the Policy
1	Andhra Pradesh Innovation and Startup Policy 4.0
2	Andhra Pradesh Maritime Policy 2024
3	Andhra Pradesh MSME & Entrepreneur Development Policy 4.0
5	Andhra Pradesh Data Center policy 4.0
6	Andhra Pradesh Electronics Manufacturing Policy 4.0
8	Andhra Pradesh Industrial Development Policy 4.0
9	Andhra Pradesh Integrated clean energy policy 4.0
10	Andhra Pradesh IT& GCC policy 4.0
11	Andhra Pradesh Semiconductor and Display Fab Policy 4.0
12	Andhra Pradesh Sustainable electric mobility policy 4.0
13	Andhra Pradesh Textile Apparel and garments policy 4.0
14	Andhra Pradesh Drone policy 4.0
15	Andhra Pradesh Leather and Footwear Policy 4.0
16	Andhra Pradesh Private Industrial Parks Policy 4.0

8. Policy Implementation

- 8.1. Commissionerate of Industries and Commerce shall be the nodal Agency for effective execution of the policy.

- 8.2. State Investment Promotion Committee (SIPC), a High-level Secretarial Body and State Investment Promotion Board (SIPB), a high-level ministerial body with concurrence of Cabinet shall decide Tailor-made incentives to Mega Investments.
- 8.3. The incentive approval and disbursement procedure will be in line with the modalities outlined in Government Order (GO) No. 68 dated 26th October 2024, issued by the Department of Industries & Commerce. Companies have to apply on Andhra Pradesh Single Desk portal for incentives.
- 8.4. Land Allotment - All applicants shall adhere to the land allotment guidelines issued by the Andhra Pradesh Industrial Infrastructure Corporation (APIIC), which serves as the designated nodal agency for land allocation in the state.

9. Annexures

9.1. Categories for Manufacturing activities

Category	Activities
Platforms	Ships, Submarines, Tanks, Aircrafts, Artillery, Armoured Personnel Carriers (APCs), Missiles
Tier 1 (Platform integrators and system manufacturers)	<p>a. Electrical systems - Power generation and distribution systems ensuring operational efficiency and reliability in critical missions.</p> <p>b. Structural systems - Hull and foundation systems essential for platforms built to withstand extreme conditions.</p> <p>c. Mechanical Systems - Propulsion and auxiliary engineering systems for advanced mobility and performance, critical for platforms.</p> <p>d. Electronic & weapon systems - Advanced radars, sonars, communications systems, Electronic Warfare (EW) equipment, sensors, and missile launchers to enhance precision and situational awareness.</p>
Tier 1A (Specialised systems and	<p>a. Small arms - Manufacturing rifles, carbines, handguns, and machine guns for infantry and special forces.</p>

Category	Activities
standalone items)	<p>b. Ammunition - Production of shells, bullets, grenades, mines, rockets, and fuses tailored for various calibers and mission profiles.</p> <p>c. Explosives & propellants - Development of missile propellants and other military-grade explosives for artillery and advanced weaponry.</p> <p>d. Standalone items - Equipment such as bulletproof vests, helmets, night vision goggles, and extreme weather clothing that enhance operational safety and effectiveness.</p>
Tier 2 (Component manufacturers)	<p>a. Electrical equipment - Motors, batteries, switches, transformers, and lighting systems to power advanced electronic systems.</p> <p>b. Mechanical equipment - Engines, gears, pumps, transmission systems, and actuators to ensure seamless operation of heavy platforms.</p> <p>c. Metallic structural components - Hull blocks, fuselage parts, and other metallic assemblies, providing structural integrity to platforms.</p> <p>d. Electronic components - Circuit boards, displays, microcontrollers, and other advanced electronic systems.</p> <p>e. Wires and harnesses - Power cables, communication lines, and control harnesses for smooth connectivity and signal transmission.</p> <p>f. Composite structural components - Bulkheads, frames, and brackets for advanced platforms designed to reduce weight while maintaining strength.</p>
Tier 3 (Materials and sub components)	<p>a. Metal and alloy forms - Rolled, forged, or machined metals such as steel, titanium, and other high-strength alloys.</p> <p>b. Composite materials - Moulded and vacuum-bagged composite forms used for lightweight yet durable applications.</p> <p>c. Other chemical compounds - Powders, chemicals, and additives used for explosives, standalone items, and specialised coatings.</p>
Tier 4 (Raw material suppliers)	<p>a. Input metals and alloys - High-grade materials like superalloys, Tungsten, Copper, and other specialised metals.</p> <p>b. Composite materials - Fibers, technical textiles, and advanced resins essential for creating lightweight yet resilient components.</p>

Category	Activities
	c. Rubber & polymers - Natural and synthetic rubber for seals, gaskets, and other critical components in platforms and systems.

9.2. List of Testing facilities identified for development

S.No	Test facilities	Facility brief
1.	Aircraft testing	Evaluating performance, aerodynamics, and structural integrity of aircraft.
2.	Naval ballistics/ explosion testing	Testing ballistic resistance and explosive capabilities of naval systems.
3.	Naval biological testing	Assessing biological resistance and contamination protocols for naval equipment.
4.	Defence dimension testing	Ensuring dimensional accuracy and precision of defence components.
5.	Dynamic mechanical testing	Testing mechanical stability and dynamic performance under various conditions.
6.	Defence electrical/ electronics testing	Validating electrical circuits and electronic components for defence applications.
7.	EMI testing	Measuring and ensuring electromagnetic compatibility for systems.
8.	Defence environmental testing	Simulating extreme environmental conditions to test equipment reliability.
9.	Naval firefighting systems	Testing fire suppression and firefighting capabilities in naval platforms.
10.	Hydrodynamic testing	Evaluating the fluid dynamics and underwater performance of naval vessels.
11.	InfraRed (IR) signature measurement and analysis lab	Measuring IR signatures for stealth and detection analysis.
12.	Defence material composition & analysis	Analyzing material properties to ensure durability and performance.
13.	Nuclear radiation testing	Testing resistance and safety against nuclear radiation exposure.
14.	Radar Cross	Measuring RCS for stealth and detection

S.No	Test facilities	Facility brief
	Section (RCS) measurement	optimization.
15.	Vehicular emission testing	Ensuring compliance with emission standards for defence vehicles.

Note: The above list is indicative and not exhaustive. Based on emerging needs, additional testing facilities will also be considered.

N.YUVARAJ
SECRETARY TO GOVERNMENT