



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)



Andhra Pradesh State MSME Policy



MSME & Startup Committee, ICAI

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Message from Committee Leadership

Dear MSME & Startup Stakeholders,

We are pleased to share details about the ICAI MSME Clinic, an initiative designed to provide valuable guidance, support, and professional assistance to MSMEs and Startups across the country. This weekly walk-in, pro-bono advisory service aims to address key challenges faced by MSMEs, including finance, accounting, technology support and marketing.

About ICAI MSME Clinic

The ICAI MSME Clinic will be hosted every Friday by ICAI branches, where MSMEs and Startups can receive expert advice from two dedicated advisory desks:

- **Business Support Desk:** Led by Chartered Accountants specializing in MSME and Startup advisory, financial planning, compliance, and business strategy.
- **Institutional Support Desk:** Led by Bankers and Government Representatives, offering assistance with credit access, grievance redressal, and awareness of government schemes.

Introduction to the State-Specific MSME Policy

We are also excited to present the State-Specific MSME Policy, an essential resource for MSMEs & Startups in the ICAI MSME Clinic initiative. As part of this initiative, the Committee has developed a Resource Handbook and State-Specific MSME Policies, aimed at enhancing the knowledge base of MSMEs and Startups.

These State-Specific Handbooks serve as practical and accessible tools for navigating the unique opportunities, policies, and regulatory frameworks specific to each state. By consolidating available schemes, incentives, and support across states, we aim to provide MSMEs & Startups with the guidance they need to grow at the grassroots level and develop the capacity.

Vision of ICAI MSME Clinic

Through consistent, pro-bono engagement and sustainable operations, each branch becomes a local hub and incubation centre of MSME transformation, bridging professional excellence with grassroots economic development. ICAI aims to empower MSMEs & Startups annually, driving financial literacy, compliance discipline, and business growth.

Acknowledgement

We would like to extend our sincere gratitude to **CA Aditya Amar** for their tireless efforts and contributions in preparing the **State-Specific MSME Policy of Andhra Pradesh**, which will play a crucial role in this initiative.

MSME & Startup Commitment Growth

The MSME & Startup Committee, ICAI, is deeply committed to ensuring the success of the ICAI MSME Clinic and providing continuous support to MSMEs & Startups. Together, we look forward to contributing to the sustainable growth and empowerment of MSMEs & Startups, which are the backbone of the Indian economy.

CA Gyan Chandra Misra
Chairman
MSME & Startup Committee, ICAI

CA. Sanjay Kumar Agarwal
Vice Chairman
MSME & Startup Committee, ICAI

Andhra Pradesh — MSME & Startup Policy

The Government of Andhra Pradesh is committed to fostering entrepreneurship and driving sustainable industrial growth across the state. The current policy framework, effective from 2024-29, combines the **MSME & Entrepreneur Development Policy 4.0** with the **Innovation & Startup Policy 4.0** to create a robust ecosystem for business growth. These policies are designed to accelerate industrialization, encourage local entrepreneurship, and promote inclusive economic development in both urban and rural areas. The state government provides a comprehensive package of fiscal incentives, infrastructure support, and business development services to help micro, small, and medium enterprises (MSMEs) as well as startups achieve their growth objectives.

The policy ecosystem comprises various flagship policies including the Andhra Pradesh MSME & Entrepreneur Development Policy 4.0, Industrial Development Policy 4.0, Innovation & Startup Policy 4.0, Food Processing Policy 4.0, Electronics Manufacturing Policy 4.0, Sustainable Electric Mobility Policy 4.0, Textile, Apparel and Garments Policy 4.0, Export Promotion (APEX) Policy, Integrated Clean Energy Policy 4.0, and the Policy for Establishment of Private Industrial Parks with Plug-and-Play Infrastructure. Collectively, these policies provide an integrated framework of fiscal incentives, capital subsidies, infrastructure support, skill development initiatives, export facilitation measures, and ease-of-doing-business reforms to support enterprises at various stages of growth.

The State Government, through these policy initiatives, aims to create a competitive and future-ready industrial ecosystem that attracts domestic and global investments while fostering inclusive economic development and entrepreneurship throughout Andhra Pradesh.

Policy Period: 2024–29 (unless otherwise specified under individual policies)**Applicability:** New Enterprises, Existing enterprises who wants to expand their business, subsidiary of a Start-up, service enterprises and Special Category Enterprises. Which falls under definition of MSME

Terms & Conditions for Extending Incentives and Concessions

Incentives are contingent upon adherence to state regulations, possession of valid registration (such as Udyam or Startup recognition), and the location of the project (with priority districts or clusters potentially receiving greater incentives). Additionally, benchmarks for employment generation and clearances related to environmental and land use, where applicable, must be met. Disbursement of these incentives occurs after verification by the relevant nodal agency, submission of audited financial statements, and compliance with the minimum operational or retention periods (typically ranging from three to five years) as outlined in Government Orders. Furthermore, benefits that have already been granted are safeguarded against future amendments.

List of Service Enterprises Eligible / Not Eligible for package of Incentives and Concessions

Enterprises that have received Consent for Operation (CFO) or commences commercial production within the policy operating period shall be eligible for incentives under this policy. Eligible enterprises are as IT/ITES startups, logistics/service SMEs, food processing units (service portions), technical testing labs, design studios, skill & training centres, product R&D units, and export-oriented service units.

Not Eligible: Pure trading/retail outlets, speculative real estate activities, activities prohibited by law, and enterprises in excluded categories in central/state lists. Industrial Enterprise having second hand

machinery exceeds 25% of the total cost of plant and machinery. Some of the Ineligible enterprises such as Alcohol based Industries (except pharma), Road metal, stone crushing, cinematography, farming, etc.,

A startup is Ineligible cease to receive benefits under this policy on completion of 10 years from the date of its incorporation/ registration or if its turnover for any previous year exceeds INR 100 Crore.

Provisions related to MSME Policy

- Eligibility: Enterprises registered under the State/National MSME startup frameworks that meet investment/turnover criteria and compliance requirements. Priority is given to units in designated MSME parks, sectoral clusters and peripheral/rural locations.
- Implementation: Nodal agencies (Industries & Commerce Department, AP MSME DC) implement schemes via online portals (AP MSME ONE), with operational guidelines and G.O.s specifying process flows.

A. Financial Incentives for MEDP 4.0

1. Investment Subsidy (Capital Subsidy)

For General Category (Manufacturing & Services):

Enterprise Category	Subsidy Rate	Maximum Subsidy	Disbursement Period
Micro	25% of FCI	Rs. 25 Lakhs	2 years
Small	25% of FCI	Rs. 1.5 Crores	3 years
Medium	25% of FCI	Rs. 7 Crores	4 years

For Special Category (Women/BC/SC/ST/Minority):

Enterprise Category	Subsidy Rate	Maximum Subsidy	Disbursement Period
Micro	45% of FCI	Rs. 45 Lakhs	2 years
Small	45% of FCI	Rs. 4.5 Crores	3 years
Medium	35% of FCI	Rs. 7 Crores	4 years

2. Technology Upgradation Subsidy(Special category)

Special category- 40% subsidy for modernization (Micro: Rs. 40 L cap, 2yrs; Small: Rs. 4 Cr cap, 3yrs; Medium: Rs. 5 Cr cap, 5yrs)

General category- 20% subsidy for modernization(Micro: Rs. 20 L cap, 2yrs; Small: Rs. 2 Cr cap, 3yrs; Medium: Rs. 5 Cr cap, 5yrs)

3. Power Cost Subsidy

Fixed power cost reimbursement for 5 years from date of commercial production (General: Micro: Rs. 1 per unit (cap: Rs. 1 Lakh/annum), Small: Rs. 1 per unit (cap:Rs. 5 Lakh/annum for 5yrs; Medium: Rs. 1 per unit (cap: Rs. 15 Lakh/annum for 5yrs), **Large Enterprises (Food Processing Specific):** Rs. 1 per unit for **2 years** (Cap: INR 15 Lakh per annum) Special Category: Micro: Rs. 1.5 per unit (cap: Rs. 1 Lakh/annum), Small: Rs. 1.5 per unit capped at Rs. 5 Lakh/annum for 5yrs; Medium: Rs. 1.5 per unit capped at Rs. 15 Lakh/annum for 5yrs)

4. **Net SGST Reimbursement (Manufacturing & Service)**

For All Categories: 100% reimbursement for 5 years or until 100% FCI realization (capped at 5% of annual turnover)

5. **Stamp Duty and Transfer Duty Reimbursement**

- 100% reimbursement on purchase, lease, or transfer of industrial land and buildings
- One-time reimbursement per land transaction

6. **Land Cost Rebate (Special Category Only)**

For SC/ST Micro and Small Enterprises:

- 75% rebate in land cost, limited to Rs. 25 lakhs
- Applicable only to units set up in APIIC Industrial Parks
- New Units Only: The amendments explicitly state that this land cost rebate is applicable only for new units. Expansion or diversification of existing units does not qualify for this specific incentive.
- One-Time Benefit: To prevent double claiming, the policy dictates that this incentive can be availed only once on a given piece of land

7. **Quality Certification Cost Support**

Enterprise Category	Subsidy Rate
Micro	100%
Small	100%
Medium	100%

Total Coverage: The government provides a 100% reimbursement for the charges incurred by MSMEs in acquiring eligible quality certifications, which also includes the fees for related consultancy services

The “Top-Up” Mechanism: To avoid duplication and maximize resources, this incentive is designed as a top-up to Central Government schemes. The state will reimburse the **balance of the cost** over and above any support already provided by the Government of India (GoI)

8. **Interest Subsidy on Term Loans**

Under AP Innovation & Startup Policy:

- 8% interest subsidy on term loans for startups.

B. Non-Financial Support

1. **Incubation and Mentoring**

AP Innovation & Startup Policy 4.0 (APIS) Support:

- 78 incubation seats available at AP Innovation Society
- 6 operational Centers of Excellence (CoEs) with 10 new CoEs planned
- 46 incubators partnered across the state
- Grant Support: Up to Rs. 20 lakhs for special category startups
- Seed Funding: Up to Rs. 50 lakhs based on equity sharing model

2. Skill Development and Business Development Support

- 30 skill development centers proposed state-wide
- 2 skill development universities planned
- Digital platform for connecting companies with skilled labor
- Business Development Credits (BDCs) for medium enterprises: 2% of growth in turnover for 5-year period
- Mentoring support for startups and SMEs

3. Digital and Infrastructure Support

- AP MSME ONE Portal: Unified online platform for policy access
- End-to-End Deemed Approval: Green category MSMEs can commence operations
- MSME Parks Development: 175+ MSME parks with plug-and-play infrastructure (A detailed summary has been provided in Plug and play policy below)

4. Networking and Cluster Development

- Common Facility Centers (CFCs) in clusters
- Cluster-based interventions for green packaging and branding

C. Specific Sector Incentives

1. Food Processing Policy 4.0

Primary Processing Capital Investment Subsidy:

General:

Category	Subsidy Rate	Maximum Cap	Period
FPOs/SHGs/Cooperatives	25%	Rs. 50 lakhs	2 years
Micro	25%	Rs. 25 Lakhs	2 years
Small	25%	Rs. 1.5 Crores	3 years
Medium	25%	Rs. 7 Crores	4 years
Large	15%	no maximum cap is explicitly listed	5 years

Special:

Category	Subsidy Rate	Maximum Cap	Period
FPOs/SHGs/Cooperatives	35%	Rs. 7 Crores	2 years
Micro	35%	Rs. 35 Lakhs	2 years
Small	35%	Rs. 3.5 Crores	3 years
Medium	35%	Rs. 7 Crores	4 years
Large	25%	Rs. 15 Crores	5 years

Secondary/Tertiary Processing: Up to 45% for small enterprises with Rs. 4.5 Crores maximum cap

D. Women Entrepreneur Incentives

Additional Benefits:

- 10% additional investment subsidy on fixed capital investment
- 100% reimbursement of stamp duty and transfer duty
- 100% net SGST reimbursement for 5 years (manufacturing & service activities)
- Power cost subsidy: Rs. 1.5 per unit for 5 years
- Grant support up to Rs. 20 lakhs under startup policy (phase-wise)

E. SC/ST, BC, and Minority Entrepreneur Incentives

Incentive Type	Benefit
Investment Subsidy	45% for Micro (cap: Rs. 45 L), Small (cap: Rs. 4.5 Cr), Medium (cap: Rs. 7 Cr)
Land Rebate	75% rebate up to Rs. 25 lakhs in APIIC parks
Power Subsidy	Rs. 1.5 per unit for 5 years
SGST Reimbursement	100% for 5 years (manufacturing & service activity)
Technology Upgradation	40-45% for expansion/modernization
Interest Subsidy (Startup)	8% on term loans for 3 years

Procedure for Availing the Incentives for MSME

1. Register enterprise on Udyam (MSME) portal / State startup portal and obtain recognition if applicable.
2. Apply via AP MSME ONE portal or designated nodal department with project report, bank details and statutory registrations.
3. Submit required documents for the chosen incentive (capex invoices, employment proofs, GST/audit records).
4. Verification by nodal agency, issue of sanction order and release of incentive as per the G.O. (may include reimbursement on production of bills or direct subsidy).
5. Maintain compliance for retention period and submit periodic reports for continued benefits.

Industries Benefiting from the Policies

Sector	Key Benefits	Growth Potential
Food Processing	35-45% capital subsidy, export promotion	15-20% CAGR projected
Textiles/Handlooms	Land rebate, technology upgradation	Strong domestic/export demand

Sector	Key Benefits	Growth Potential
Pharmaceuticals	Capital subsidy, technology support	Consistent growth trajectory
Automotive	Infrastructure access, employment subsidy	Rising EV sector opportunity
Electronics	CoEs support, skill development	Strategic government focus

How is the policy helpful in Export promotion

Direct Export Support

1. Export Promotion Subsidy

- Reimbursement: 1% of annual export turnover
- Duration: 3-year period on annual basis
- Maximum Caps: Rs. 7 Crores to Rs. 15 lakhs based on category
- Eligibility: New and existing export-oriented enterprises

2. Local Procurement Subsidy

- Eligibility Requirement: 80% annual turnover from exports; 60% inputs from within state
- Reimbursement: 1% of annual export turnover
- Claim Period: Any 3 years during policy operative period

3. Exhibition and Fair Participation

- Reimbursement: 50-100% of participation costs
- Scope: National and international exhibitions
- Support: AP Trade Promotion Corporation (APTPC) coordination

Who can Participate and Target Beneficiary

- New and existing MSMEs (manufacturing & services with minimum 25% increase) registered in Andhra Pradesh.
- Startups recognized under state/National startup schemes.
- Incubators, accelerators and academic institutions hosting innovation centers.
- Investor groups, industry associations and export promotion bodies supporting micro and small enterprises.

Target Beneficiary Groups

Women Entrepreneurs

- 100% ownership requirement
- Incentives: 10% additional subsidy, full SGST reimbursement
- Startup Support: Up to Rs. 20 lakhs grant

SC/ST Entrepreneurs

- Land Rebate: 75% up to Rs. 25 lakhs
- Power Subsidy: Rs. 1.5 per unit for 5 years Technology Upgradation: 40-45% subsidy

BC/Minority Entrepreneurs

- Service Sector Eligibility: All listed services
- Enhanced Incentives: 45% capital subsidy for Micro, Small and for Medium 35% of capital subsidy
- Quality certification support

Specially-Abled Entrepreneurs

- Full incentive package
- Modified compliance norms
- Grant Assistance: Up to Rs. 20 lakhs

Transgender Entrepreneurs

- Equal incentive parity
- Dedicated mentoring
- Community linkages

Rural Entrepreneurs

- Location benefit in rural parks
- Sector-specific cluster support
- Market access through digital platforms

References**Andhra Pradesh —Drone Policy**

Andhra Pradesh's Drone Policy 4.0 (GO Ms No. 18, dated November 19, 2024) opens significant doors for MSMEs by providing tailored incentives, infrastructure, and market access in the booming drone sector. From an MSME viewpoint, this policy positions small businesses as key players in Drone System Design & Manufacturing (DSDM) and Drone Enabled Technology & Services (DeTS), leveraging a Rs. 500 crore state allocation.

Policy Overview

The policy spans 2024-29 and aims to build a drone ecosystem through six pillars: ecosystem fostering, startups/local demand, capacity building, regulations, R&D, and exports. It targets 100 drone companies, Rs. 1,000 Cr investments, and 15,000 direct jobs, explicitly integrating with the state's MSME Entrepreneur Development Policy. MSMEs benefit from handholding via Andhra Pradesh Drones Corporation (APDC) as the nodal agency, coordinating approvals through SIPC/SIPB.

MSME Opportunities

- Enter DSDM (design/manufacturing) and DeTS (services) in agriculture, health, logistics, disaster management.
- Drone City (Orvakal, Kurnool): Plug-and-play offices, testing corridors, training centers, hub-and-spoke logistics.
- Dedicated portal: Single-window PoC approvals, sandbox data access, vendor empanelment, 50% local procurement priority.
- 36 departments for PoCs (Annexure I); Ratan Tata Hubs for incubation.

Key Incentives

Financial perks directly target MSMEs and startups.

Incentive Type	Details	Cap/Limit
Capital Subsidy	20% on fixed capital for manufacturing/training/R&D units	Rs. 5 Cr max
SGST Reimbursement	100% net on intra-state sales	3 years
PoC Reimbursement	100% project costs	Rs. 5 lakhs max
Testing/Certification	100% costs	Rs. 5 lakhs max
IP Filing	100% national/international	Rs. 3/6 lakhs max
Power Reimbursement	Rs. 1/unit	Rs. 1 lakh/year, 2 years
Exhibitions	50%/100% national/international	Rs. 1.5/3 lakhs max

Non-Financial Incentives

- 100% exemption: Land conversion, stamp duty.
- 50% land lease reduction: 3 years.
- Top-up to GoI PLI schemes.
- Skill development: 25,000 remote pilots via 50 PPP Centers of Excellence (ITIs/polytechnics); Rs. 2,000/trainee + Rs. 5,000 stipend.

Skill and Employment Boost

- Reduced Recruitment Costs: Access certified remote pilots/techs via APSSDC/NSDC programs; incentives like Rs. 2,000/trainee + Rs. 5,000 stipend (max 10/org) subsidize MSME training.
- Low-Cost Labor Pool: 40,000+ jobs in ops/repair/maintenance/logistics fill MSME needs for affordable skilled workers; indirect jobs boost ancillary MSME suppliers.
- Partnership Access: Collaborate with 50 Centers of Excellence (colleges/ITIs/polys) for custom curriculum; 50% funding (Rs. 20L/center) lowers MSME R&D/skill dev expenses.
- Govt Demand Creation: Empaneled MSMEs get priority for public contracts (50% local procurement), needing skilled staff for 100+ PoCs/use cases.
- Business Expansion: Trained workforce supports manufacturing/services growth; export push (Rs. 1,000 Cr target) via Drone City facilities.

Growth and Export Pathways

These reduce MSME risks, enable 100-firm target participation, and drive revenue growth

- **Export Promotion:** Dedicated portal provides market stats, schemes, handholding (consults/workshops); leverages Gol/GoAP export incentives; 20% growth target ensures sustained revenue/diversification beyond local govt contracts.
- **R&D Boost:** IIT/QCI collaborations, centralized data repo, sandbox enable low-cost innovation/PoCs; grants (Rs. 20L) + IP subsidies (Rs. 3-6L) help MSMEs develop competitive products without heavy R&D spend.
- **Regulatory Ease:** DTC systems (district towers + master control) + single-window portal for clearances/certifications cut compliance time/costs; aligns with Drone Rules 2021 for BVLOS ops.
- **Helplines/Guidance:** Chief Minister Udyami Helpline + APDC support navigates incentives/SIPC approvals; integrates with MEDP 4.0 for MSME-specific handholding.

Ref: AP Drone Policy 4.0: Growth Pathways Reference Guide for MSMEs (GO Ms No. 18, 2024-29). (Direct policy PDFs and G.O. references have been used to prepare this note.)

Andhra Pradesh —Textile and Garments Policy

The Andhra Pradesh Textile, Apparel and Garments Policy (4.0) 2024–29 offers a comprehensive package of incentives to promote Micro, Small and Medium Enterprises (MSMEs) in the textile sector. These incentives aim to enhance competitiveness, encourage investment, generate employment, and support sustainable industrial growth.

The policy creates a supportive ecosystem for MSMEs by offering financial aid, reducing operational costs, encouraging modernization, and promoting inclusive growth. These incentives are designed to strengthen the textile value chain and boost employment and exports in Andhra Pradesh.

1. Investment Subsidy

Category	General Category (% of eFCI)	Special Category (% of eFCI)	Disbursement Period
Micro	30% (Cap-Rs. 3cr)	45% (Cap-Rs. 3cr)	2 Equal Instalments
Small	30% (Cap-Rs. 3cr)	45% (Cap-Rs. 3cr)	3 Equal Instalments
Medium	30% (Cap-Rs. 10cr)	45% (Cap-Rs. 10cr)	4 Equal Instalments
Value Added Activity (all MSMEs)	40% (Cap-Rs. 20cr)	55%(Cap-Rs 20Cr)	

- Additional 15% subsidy for enterprises owned by women, SC/ST, minorities, and other priority groups.

2. Technology Upgradation Support

- Financial assistance provided for modernization and expansion.
- Encourages adoption of advanced machinery and innovation.

Category	General Category (% of eFCI)	Special Category (% of eFCI)	Disbursement Period
Micro	30% (Cap-Rs. 2cr)	45% (Cap-Rs. 2cr)	2 Equal Instalments
Small	30% (Cap-Rs. 2cr)	45% (Cap-Rs. 2cr)	3 Equal Instalments
Medium	30% (Cap-Rs. 7.5cr)	45% (Cap-Rs. 7.5cr)	4 Equal Instalments

Additional **15% subsidy** for enterprises owned by women, SC/ST, minorities, and other priority groups.

3. Energy & Environmental Support

- 75% reimbursement for energy (Cap-1 Lakh) and water (Cap-2 Lakh) audits during policy period.
- 25% subsidy on cost of equipment (based on audit) with caps of ₹20 lakh for micro, ₹40 lakh for small, and ₹50 lakh for medium enterprises.

4. Power & Electricity Incentives

Category	Subsidy	Cap on Subsidy
Micro	Rs. 2per unit (Cap Rs. 2 lakhs per annum)	For 5 years
Small	Rs. 2per unit (Cap Rs. 10 lakhs per annum)	For 5 years
Medium	Rs. 2per unit (Cap Rs. 30 lakhs per annum)	For 5 years

50% exemption on electricity duty for 5 years.

5. Skill Development & Quality Support

Skill development and quality support incentives help MSMEs by improving workforce efficiency and product standards.

Category	Skill Upgradation Cost
Micro	INR 5000 per person for a maximum of 10 persons
Small	INR 10000 per person for a maximum of 20 persons
Medium	100% of Employer contribution to EPF, Capped at INR 1 lakh per annum, for 3 years

6. Local Procurement Incentives

- Encourages use of domestically sourced raw materials.
- Provides 1% turnover-based subsidy for 3 years for **exporting units** in select sectors registered in the state.
- subject to limits with caps of ₹15 lakh for micro, ₹1.5 crore for small, and ₹7 crore for medium enterprises.

Ref: *Andhra Pradesh Textile, Apparel and Garments Policy (4.0) 2024–29* (GO Ms No. 89, dated 11-12-2024, 2024-29 & GO Ms No. 24, dated 17-02-2025, 2024-29). (Direct policy PDFs and G.O. references have been used to prepare this note.)

Andhra Pradesh —Food Processing Policy

The Andhra Pradesh Food Processing Policy (4.0) 2024–29 provides a wide range of incentives to strengthen MSMEs, which are considered the backbone of the food processing sector. The policy focuses on promoting value addition, reducing costs, enhancing competitiveness, and supporting inclusive growth.

The policy offers a **comprehensive incentive framework for MSMEs**, combining financial subsidies, tax benefits, infrastructure support, and inclusive measures. These incentives aim to make MSMEs more competitive, sustainable, and capable of contributing significantly to value addition, employment generation, and export growth in Andhra Pradesh's food processing sector.

1. Capital Subsidy (Investment Support)

- MSMEs receive **capital subsidy on Fixed Capital Investment (FCI)**.
- For new enterprises:

Primary Processing Units			
Category	Subsidy (% of FCI)	Max Limit	Disbursement Period
Micro	35%	₹35 Lakhs	2 Years
Small	35%	₹3.5 Crores	3 Years
Medium	35%	₹7 Crores	4 Years
Secondary/ Tertiary Processing Units			
Category	Subsidy (% of FCI)	Max Limit	Disbursement Period
Micro	45%	₹45 Lakhs	2 Years
Small	45%	₹4.5 Crores	3 Years
Medium	45%	₹8 Crores	4 Years

- Additional **10% subsidy** for enterprises owned by women, SC/ST, BC, minorities, and other special categories.

2. Technology Upgradation Subsidy

Category	Subsidy	Incentive disbursement Period
Micro	20% (Cap at INR 20 Lakhs)	2 years from generation of 1 st tax invoice
Small	20% (Cap at INR 2 Cr)	3 years from generation of 1 st tax invoice
Medium	20% (Cap at INR 5 Cr)	4 annual installment of 1 st tax invoice

- Additional 10% support for special category entrepreneurs (Within the limits of maximum cap).

3. Power Tariff Reimbursement

- MSMEs are eligible for power cost subsidy:
 - ₹1 per unit for 5 years
 - Higher rate (₹1.5/unit) for special category MSMEs
- Annual subsidy apply with caps of ₹1 lakh/annum for micro, ₹5 lakh/annum for small, and ₹15 lakh/annum for medium enterprises.

4. SGST Reimbursement

- 100% net SGST reimbursement for MSMEs on sale of finished goods.
- Applicable for 5 years from date of commercial production
- Annual Cap on subsidy shall be 5% of annual turnover with overall incentive not exceeding 100% of FCI.

5. Land Cost Rebate

- 75% rebate on land cost (up to ₹25 lakhs) for SC/ST-led MSMEs.
- Applicable for units set up in industrial parks/estates that are **developed by APIIC**.
- Incentive available only for new units and once per project.

6. Energy & Water audit

- 75% reimbursement for energy (Cap-1 Lakh) and water (Cap-2 Lakh) audits during policy period.
- 25% subsidy on cost of equipment (based on audit) with caps of ₹20 lakh for micro, ₹40 lakh for small, and ₹50 lakh for medium enterprises.

7. Local Procurement Incentives

- Encourages use of domestically sourced raw materials.
- Provides 1% turnover-based subsidy for 3 years only for **exporting units** in select sectors.
- subject to limits with caps of ₹15 lakh for micro, ₹1.5 Crore for small, and ₹7 crore for medium enterprises.

8. Skill Development & Quality Support

- Skill development and quality support incentives help MSMEs by improving workforce efficiency and product standards.

Category	Skill Upgradation Cost
Micro	INR 5000 per person for a maximum of 10 persons
Small	INR 10000 per person for a maximum of 20 persons
Medium	100% of Employer contribution to EPF, Capped at INR 1 lakh per annum, for 3 years

Ref: Andhra Pradesh Food Processing Policy (4.0) 2024–29 (GO Ms No. 71, dated 26-10-2024, 2024-29 & GO Ms No. 23, dated 17-02-2025, 2024-29). (Direct policy PDFs and G.O. references have been used to prepare this note.)

Andhra Pradesh — Sustainable Electric Mobility Policy

The Andhra Pradesh Sustainable Electric Mobility Policy (SMEP) 4.0 (2024–29) aims to transform the state into a leading hub for electric vehicle (EV) manufacturing and sustainable mobility. MSMEs play a crucial role in this ecosystem, and the policy provides a wide range of incentives to support their growth, competitiveness, and innovation.

The SMEP 4.0 policy offers a **comprehensive package of incentives for MSMEs**, combining financial support, operational cost reduction, skill development, and infrastructure assistance. These measures aim to strengthen MSMEs, promote innovation, and position Andhra Pradesh as a key hub in the electric mobility sector.

1. Investment Subsidy

- MSMEs are eligible for **capital investment support** to reduce initial setup costs.
- Incentive options include:
 - **35% of Eligible Fixed Capital Investment (FCI)** (up to ₹7 crore), OR
 - **5% of annual turnover for 3 years** (up to ₹10 crore).
- Special category MSMEs (women, SC/ST, BC, minorities, etc.) receive:
 - **45% of Eligible Fixed Capital Investment (FCI)** (up to ₹7 crore), OR
 - **5% of annual turnover for 3 years** (up to ₹10 crore).
 - However, if they choose the turnover-based option, the rate is actually **15% of annual turnover** for three years (not 5%), still capped at a maximum of **₹10 Crores**
- Subsidy is **disbursed in 3 annual instalments**.

2. Employment Generation Incentives

- Encourages MSMEs to create jobs through Employment-to-Investment (E/I) ratio-based subsidy.

Employment to Investment(E/I) Ratio	Eligible Incentive %
5 and above	10% of Eligible FCI
>= 3 and <5	9% of Eligible FCI
>= 1 and <3	8% of Eligible FCI
Less than 1	NIL

- Incentive is verified annually and disbursed over time.

3. Power and Electricity Incentives

- Power tariff reimbursement:
 - ₹1 per unit for MSMEs for 5 years with cap of 1 lakh, 5 lakh & 15 lakh per annum, for micro, small & medium respectively disbursed bi-annually
- Electricity duty reimbursement:
 - 50% reimbursement for 5 years disbursed bi-annually

4. Tax Incentives (SGST Reimbursement)

- MSMEs are eligible for reimbursement of net SGST paid.
- 100% net SGST reimbursement for 5 years from DCP or until realization of 100% FCI (excluding land cost), whichever is earlier
- The reimbursement in any single year is strictly **capped at 5% of the annual turnover.**

5. Skill Development and Training Support

- **Training cost subsidy** provided to MSMEs as **reimbursement of 100% of the employer's contribution to EPF.** This is capped at an annual limit of **INR 1 Lakh per enterprise**, and is applicable for a period of **3 years** from the Date of Commercial Production (DCP).
- Focus on building **skilled workforce for EV manufacturing sector.**
- Supports long-term productivity and efficiency.

6. Quality and Innovation Support

- 50% subsidy on testing certification cost, capped at 2 lakhs, applicable to MSME's provided as one-time benefit
- 100% subsidy on cost incurred for patent filing, capped at 2 lakhs, applicable to MSME's provided as one-time benefit

7. Infrastructure and Land-Related Incentives

- 100% reimbursement of stamp duty, registration charges, and land conversion fee for eligible MSME'S, applicable one-time on land/building/shed.
- 75% rebate on land cost (up to ₹25 lakh) for SC/ST-led Micro and Small enterprises, applicable one-time for new units set up specifically in **Industrial Estates or Industrial Parks developed by APIIC.**

8. Special Category Incentives

- Extra benefits for enterprises owned by:
 - Women
 - SC/ST / BC / Minority entrepreneurs
 - Differently-abled / transgender individuals
- Promotes **inclusive and equitable industrial development.**

9. Ease of Doing Business for MSMEs

- **Single Desk Portal** for approvals and incentives.
- **Time-bound processing (around 100 days)** for claims and approvals.
- Transparent inspection and disbursement mechanisms.

Ref: Andhra Pradesh Sustainable Electric Mobility Policy (SMEP) 4.0 (2024–29) (GO Ms No. 48, dated 09-04-2025, 2024-29). (Direct policy PDFs and G.O. references have been used to prepare this note.)

Andhra Pradesh — Tourism Policy & Tourism Land Allotment Policy

The Andhra Pradesh Tourism Policy (2024–29), along with the Tourism Land Allotment Policy (2024–29), provides a comprehensive incentive framework for MSMEs. While the Tourism Policy focuses on investment, infrastructure, and ecosystem development, the Land Allotment Policy ensures easy and affordable access to land, enabling MSMEs to establish tourism projects efficiently.

The combined framework of the AP Tourism Policy and Land Allotment Policy provides holistic support to MSMEs by integrating financial incentives, infrastructure development, and affordable land access. This dual approach reduces entry barriers, enhances business opportunities, and enables MSMEs to establish, operate, and scale tourism ventures efficiently, contributing to sustainable economic growth and employment generation in Andhra Pradesh.

1. Industry Status for Tourism Sector

- Tourism and hospitality sector is granted “Industry Status”.
- Benefits MSMEs through:
 - Reduced cost of doing business
 - Access to industrial incentives
 - Improved financing and infrastructure support
- Creates a favourable business environment for MSMEs.

2. Capital Subsidy

- MSMEs receive 25% of Fixed Capital Investment (FCI) as subsidy.
- Maximum limits:
 - Micro: up to ₹25 lakh disbursed in 2 equal instalments
 - Small: up to ₹1.5 crore disbursed in 3 equal instalments
 - Medium: up to ₹7.5 crore disbursed in 4 equal instalments
- Additional 5% subsidy (up to ₹10 lakh) for women, SC/ST, and disabled entrepreneurs.

3. Stamp Duty & Land Incentives

- 100% reimbursement of stamp duty on land purchase/lease.
- 100% waiver of land conversion charges.
- Reduces initial project setup costs significantly for MSMEs.

4. Tax Incentives (SGST Reimbursement)

- 100% reimbursement of net SGST:
 - For MSMEs: up to 7 years
 - Limited to 100% of FCI or time period (whichever is earlier)
- Improves cash flow and profitability.

5. Power and Utility Incentives

- Electricity duty reimbursement for 5 years.
- Utility services (water, sewage, property tax) provided at industry rates.
- Helps reduce operational costs.

6. Quality Certification Support

- 100% reimbursement for certification expenses:
 - Up to ₹2 lakh (national)
 - Up to ₹10 lakh (international)
- Encourages MSMEs to maintain high service standards.

7. Employment Generation Incentives

- Subsidy linked to Employment-to-Investment (E/I) ratio.
- Specific rates notified separately by government.

8. Special Incentives for MSMEs

- **Speed of Doing Business Incentive:**
 - Extra 2% subsidy for early project completion (within 1 year)
 - 1% additional subsidy for completion within 2 years
- **Geographical Incentive:**
 - Extra 5% subsidy for projects in unexplored locations
- Promotes balanced regional development.

9. Infrastructure and Ecosystem Support

- Development of:
 - Tourism circuits
 - Hospitality infrastructure
 - Homestays and eco-tourism projects
- MSMEs benefit through:
 - Cluster-based development
 - Increased tourist inflow
 - Business expansion opportunities

10. Lease Tenure Benefits

- Land is allotted to MSMEs for:
 - 33 years lease period
 - Extendable by another 33 years upon successful operation
- Provides long-term security and stability for investors.

11. Construction Time Support

- MSMEs are given 18 months for project construction.
- Ensures quick project implementation and faster operationalization.

12. Affordable Land Cost (Lease Model)

- Land is provided at:
 - 1% of Sub-Registrar Office (SRO) value as annual lease rent
- Lease rent increases gradually (5% every 3 years).
- Makes land access affordable for MSMEs.

13. Flexible Revenue Sharing Mechanism

- Bidding parameter is based on Additional Development Premium (ADP):
 - A percentage of project revenue or fixed annual amount whichever is higher.
- Allows MSMEs to choose financially viable models.

14. Financial and Compliance Support

- Structured payments include:
 - Performance security (2.5% of project cost)
 - Project development fee (2% capped at ₹1 crore)
 - a *refundable* **Security Deposit** equal to 1 year's Lease Rent and Additional Development Premium (ADP)
- Government provides:
 - Monitoring support
 - Policy-backed legal framework
- Ensures accountability and project completion.

Ref: The Andhra Pradesh Tourism Policy (2024–29) (GO Ms No.17, dated 10-12-2024, 2024-29). The Andhra Pradesh Tourism Land Allotment Policy (2024–29) (GO Ms No. 1, dated 11-03-2025, 2024-29). (Direct policy PDFs and G.O. references have been used to prepare this note.)

Andhra Pradesh —Leather and Footwear Policy

The Andhra Pradesh Leather & Footwear Policy (4.0) 2025–30 aims to promote MSMEs as key drivers of growth in the leather and footwear sector. The policy provides a mix of financial incentives, operational support, and infrastructure benefits to enhance competitiveness, encourage innovation, and generate employment.

The AP Leather & Footwear Policy (4.0) provides a **comprehensive MSME-focused incentive framework**, combining capital subsidies, operational cost reductions, skill development, and infrastructure support. These incentives aim to make MSMEs more competitive, promote sustainable manufacturing, and position Andhra Pradesh as a key hub for leather and footwear production.

1. Investment Subsidy

- MSMEs receive 35% of Eligible Fixed Capital Investment (eFCI) for new projects.
- Maximum subsidy: ₹12 crore.
- Disbursed over 4 years from Date of Commercial Production (DCP).

2. Technology Upgradation Support

- 30% subsidy on eFCI for expansion/diversification.
- Maximum limit: ₹10 crore.
- Disbursed over 4 years.
- Encourages modernization and adoption of advanced machinery.

3. Power Cost Reimbursement

- Tannery units:
 - ₹1.5 per unit (max ₹20 lakh/year)
- Other MSMEs:
 - ₹1 per unit (max ₹15 lakh/year)
- Applicable for 5 years from DCP.
- Helps reduce operational costs.

4. Branding & Marketing Assistance

- 25% reimbursement of marketing expenses.
- Maximum limit: ₹1 crore per year.
- Duration: 3 years.
- Covers trademarks, GI tags, trade fairs, and promotions.

5. Quality Certification Support

- 50% reimbursement of certification costs.
- Maximum limit: ₹1 crore.
- Applicable for national & international certifications (ISO, BIS, etc.).
- Improves product quality and export competitiveness.

6. Skill Development Assistance

- 50% reimbursement of training cost.
- Maximum limit: ₹3 lakh per enterprise.
- Supports upskilling of local workforce.

7. Energy & Water Audit Incentives

- 75% reimbursement:
 - Water audit (up to ₹1 lakh)
 - Energy audit (up to ₹2 lakh)
- 25% subsidy on audit-based equipment (up to ₹50 lakh for medium enterprises)
- Promotes sustainable and efficient production.

8. Land & Registration Incentives

- 75% land cost rebate (up to ₹25 lakh) for SC/ST MSMEs
- 100% stamp duty reimbursement
- 100% land conversion fee reimbursement

Ref: The Andhra Pradesh Leather & Footwear Policy (4.0) 2025–30 (GO Ms No. 89, dated 27-05-2025, 2025-30). (Direct policy PDFs and G.O. references have been used to prepare this note.)

Andhra Pradesh — Neighbourhood workspace Policy

The Andhra Pradesh Neighbourhood Workspace (NWS) Policy (2025–30) is designed to promote **micro and small enterprises, freelancers, and startups** by providing **shared, affordable, and technology-enabled workspaces**. The policy reduces infrastructure costs and supports MSMEs through financial incentives, operational assistance, and skill development support.

The NWS Policy (2025–30) offers a **strong incentive framework for MSMEs**, focusing on affordability, accessibility, and sustainability. By combining capital subsidies, operational support, and demand generation incentives, the policy creates a **supportive ecosystem for small businesses, freelancers, and startups**, driving inclusive economic growth across Andhra Pradesh.

1. Capital & Infrastructure Support

- Government provides **financial assistance to reduce initial setup cost** of workspaces.
- Covers:
 - Interior development (furniture, fittings, etc.)
 - IT infrastructure (computers, printers, VC facilities)
- Encourages MSMEs to establish **professional shared workspaces**.

2. Rental Support (Major Cost Reduction)

- **Government Buildings:**
 - 100% rent exemption for **5 years** (first unit per mandal)
- **Private Buildings:**
 - 50% rental support up to **₹6 lakh per year**

3. Interior Development Subsidy

- Early units:
 - **60% CAPEX support up to ₹15 lakh** (first unit per mandal)
- Subsequent units:
 - **50% CAPEX support up to ₹7.5 lakh**
- One-time support for infrastructure setup

4. IT Hardware Support

- **50% CAPEX subsidy up to ₹5 lakh**
- Covers:
 - IT equipment
 - Video conferencing facilities
 - Office technology

5. Operational Cost Incentives

- **Broadband subsidy:**
 - 50% reimbursement up to ₹1 lakh/year
 - Valid for **5 years** towards High speed broadband (Min 300 Mbps)
- **Interest subsidy:**
 - 8% interest subsidy (up to ₹10,000/month)
 - Valid for **5 years**
 - Loan taken towards Interior development & procurement of IT hardware is eligible

6. Skill Development & Demand Incentives

- Incentives for skilling programs:
 - ₹100 per trainee per program for up to 3 skilling courses
 - Maximum ₹10 lakh per organization for first 100 such programs across entire Andhra Pradesh

7. Disbursal Incentives

- Incentives will be disbursed on a quarterly basis

Ref: Andhra Pradesh Neighbourhood Workspace (NWS) Policy (2025–30) (GO Ms No. 52, dated 11-11-2025, 2025-30). (Direct policy PDFs and G.O. references have been used to prepare this note.)

Andhra Pradesh — AP Cluster Development Program Policy

The Andhra Pradesh Cluster Development Programme (AP-CDP) is designed to strengthen micro and small enterprises (MSMEs) through a cluster-based approach. The policy focuses on establishing Common Facility Centres (CFCs) that provide shared infrastructure, advanced machinery, and support services to improve productivity, reduce costs, and enhance competitiveness.

The AP-CDP Policy provides strong financial incentives and infrastructure support to MSMEs through a cluster-based model. By offering high capital subsidies, shared facilities, and efficient implementation mechanisms, the policy enables MSMEs to scale operations, reduce costs, and compete effectively in domestic and global markets.

1. Capital Grant (Core Financial Incentive)

- Government provides **capital subsidy (grant) for CFC projects**.

Eligibility	Total Project Cost	Govt of AP Contribution	SPV Contribution
General category	Rs.1 crore to 5 crore	80%	20%
	Above Rs. 5 crore upto 10 crore`	70%	30%
Special category (50% and above women/SC/ST)	Rs.1 crore to 5 crore	90%	10%

- Maximum grant capped at ₹8 crore per project or 70% to 90% of the project, whichever is lower

2. Project Cost Sharing Structure

- MSMEs (through SPV) contribute a smaller share:
 - 20%–30% (General category)
 - 10% (Special category)
- Government bears majority cost → reduces financial burden.

3. Support for Common Facility Centres (CFCs)

- Financial support is mainly for:
 - Machinery & equipment
 - Testing labs, R&D centers
 - Processing & production units
- As described in eligible interventions:
 - Packaging units, warehouses, cold storage
 - Effluent treatment plants, recycling units

4. Focus on Micro & Small Enterprises

- Policy prioritizes:
 - Micro enterprises (over 99% of MSMEs)
 - Rural and cluster-based industries
- Special focus on:
 - Women entrepreneurs
 - SC/ST entrepreneurs

5. Funding & Disbursement Mechanism

- Grant released in two stages:
 - 70% after tender and purchase order
 - 30% after installation & inspection

6. Cluster-Based Infrastructure Advantage

- MSMEs benefit from:
 - Shared production facilities
 - Common testing and R&D centers
 - Shared logistics and storage

Reduces:

- Production cost
- Capital investment
- Technology gap

7. Skill Development & Soft Support (Indirect Incentives)

- MSMEs can access:
 - Training programs
 - Technology upgradation workshops
 - Marketing & branding support
- Linked with schemes like:
 - RAMP, PMFME, EDII

8. Ease of Doing Business

- Key features:
 - Quarterly Project Approval Committee meetings
 - Faster evaluation through empanelled consultants
 - Online procurement system (e-procurement portal)

Ref: The Andhra Pradesh Cluster Development Programme (AP-CDP) Policy (2026). (GO Ms No.17, dated 10-01-2026, 2024-29). (Direct policy PDFs and G.O. references have been used to prepare this note.)

Andhra Pradesh — Plug & play Policy

The Andhra Pradesh Plug & Play Industrial Infrastructure Policy (4.0) 2024–29 focuses on developing ready-to-use industrial parks to promote industrialization. MSMEs are key beneficiaries, as the policy reduces entry barriers by providing pre-built infrastructure, cost advantages, and faster approvals.

1. Ready-Made Infrastructure Support

- MSMEs get access to plug-and-play industrial parks with:
 - Roads, water supply, drainage, power connections
 - Pre-built factory sheds and utilities
- Facilities include:
 - Testing labs, R&D centers, warehouses, skill centers

2. Reduced Capital Investment Requirement

- Infrastructure like:
 - Power, water, internal roads, communication networks
 - Effluent treatment and common facilities
- Provided as shared infrastructure within parks

3. Faster Project Implementation (Speed of Doing Business)

- Pre-approved layouts and Single Desk Portal approvals
- Industrial parks treated as industrial townships (IALA status)

4. Development of MSME Parks & Nano Parks

- Special focus on:
 - MSME Parks (10–100 acres)
 - Nano Parks (<10 acres)
- Dedicated nodal agency:
 - APMSMEDC for MSME and Nano parks

5. Capital Subsidy (Indirect Benefit to MSMEs)

- Developers of MSME parks receive:
 - Capital subsidy (e.g., ₹5 lakh per acre)
- Disbursed in phases:

Subsidy release phase	Progress Status	Milestone Achieved	Subsidy release
Phase-I	Approval of the Project	Minimum Assured external Infra such as Road, power, water etc.	Upfront incentives sanctioned
Phase-II	25% progress	Upto 25% area developed or 15% of area allotted, whichever is higher	30% of subsidy amount
Phase-III	75% progress	Upto 75% area developed or 50% of area allotted, whichever is higher	20% of subsidy amount
Phase-IV	100% progress	100% area developed, CFC in place, 75% area allotted	20% of subsidy amount
Phase-V	Operational Park	>80% area allotted, 20% area implemented	Last 30% of subsidy amount

The developer will only be eligible to receive these incentives and capital subsidies **after the lands have been officially registered in the name of the Private Developer.**

6. Upfront Incentives & Cost Exemptions

- Policy provides:
 - 100% exemption of conversion charges (agriculture to industrial use)
 - 100% exemption of land use change charges
 - 100% exemption of stamp duty & registration charges
 - **Upto 100% exemption for Layout Approval.**

Ref: The Andhra Pradesh Plug & Play Industrial Infrastructure Policy (4.0) 2024–29 (GO Ms No.67, dated 26-10-2026, 2024-29). (Direct policy PDFs and G.O. references have been used to prepare this note.)

RELEVANT LINKS AND CONTACTS FOR MSME STATE-SPECIFIC INFORMATION

Nodal Agencies and Contact Details

Agency	Purpose	Website
Commissionerate of Industries	MEDP 4.0 & IDP 4.0 Implementation	https://apexports.ap.gov.in/
Andhra Pradesh Innovation Society (APIS)	Startup Policy Implementation	https://apis.ap.gov.in/
AP MSME ONE Portal	Unified MSME Support	https://apmsmeone.ap.gov.in/
APIIC	Industrial Park Development	https://apiic.in/
District Industries Centers (DICs)	Grassroots Implementation	Local offices
AP Food Processing Society	Food Sector Support	Sector-specific division

Online Portals

Platform	Purpose
Incentive Portal	Online application and tracking
AP MSME ONE	Unified MSME platform
APIS Incubation	Startup incubation application
GeM Portal	Government procurement



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

MSME & Startup Committee, ICAI

A-29, ICAI Bhawan, Admin Block, Sector-62, Noida,
Uttar Pradesh-201309, India | Phone: 0120-3045944
Email: msme@icai.in, msmeclinic@icai.in



Startup Portal:
startup.icai.org



MSME Portal:
msme.icai.org