

Grounding Investment in India: States jostle for FDI; Ease Land Acquisition Norms

Led by Alok Tewari, Senior Partner, Kochhar & Co, a team of experts comprising of Shivika Upadhyay, Senior Associate; Niharika Vij, Associate; and Vishal Singh, Associate present a snapshot of plethora of incentives various states are offering to woo foreign investment.



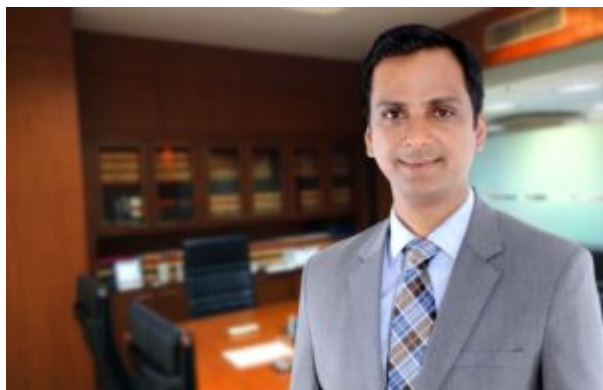
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Japanese Park in village Vithalapur, Ahmedabad, Gujarat




Alok Tewari, Senior Partner, Kochhar & Co.

India has been adopting a two-fold approach to attract inbound investors by rolling out incentives both at the central and state level. A trend that has emerged over the last decade is that various states have been outcompeting one another to attract business by providing incentives at the following levels:

- ***Revisiting industrial policy***

- ***Sector-specific incentives***
- ***Reducing operating expenditure***
- ***Easing land acquisition***
- ***Fiscal & Non-Fiscal incentives***

India's jump to rank #63 in the World Bank's ease of doing business is  testament to India's commitment in its quest to become a global manufacturing hub.

Following is a snapshot of the incentives being provided by the established economic powerhouses and upcoming states providing opportunities to overseas investors to set up their businesses in India.

The interplay of land acquisition & grounding investment

Companies looking to invest in India should be aware that land can be acquired both through the private and public channels. However, procuring land through the government mode is preferred as public procurement overcomes the uncertainty of fragmented land ownership and other legal impediments.

Select State Initiatives

Maharashtra & Karnataka: the economic powerhouses of India

Maharashtra as the “*financial capital of India*” and Karnataka popularly known as the “*IT hub*” have traditionally dominated the investment scenario in India.

Maharashtra

Under the *Industrial Policy 2019* and *Magnetic Maharashtra 2.0* initiative, the state is offering a bundle of incentives such as stamp duty exemption, power tariff, and industrial promotion subsidy on fixed capital investment.

One of the first states to introduce the “*Electric Vehicle Policy*”. The state government has proposed to offer a 25% capital subsidy per charging station to the first 250 commercial public stations set up in the state.

For development and investment in Data Centre Parks, the state offers a packaged scheme of fiscal incentives for a maximum of 10 years.

As part of the land leasing programme the state aims to provide plug and play facilities to ease setting up of business on lease rental land. Under the state *Industrial Policy 2019* MIDC (MIDC is the Maharashtra Industrial Development Corporation) is responsible for creating land banks based on demand assessment with 40,000 acres of land already carved out for investors with readymade shed facilities. MIDC is the nodal investment promotion agency providing investors end to end support.

Dedicated investment zones: SUPA Japanese zone and German zone in Pune.

Emerging project: Mumbai – Nagpur super communication expressway  English

Karnataka

Home to the 4th largest technology cluster in the world the state has pioneered in establishing an e-land registration and online stamping system.

The state has for the first time in India under the new *Industrial Policy 2020-2025* rolled out a production-turnover based incentive in place of tax-based incentives to encourage production-based performance.

Under the *Aerospace Space Policy 2013-2023*, the state offers investment promotion subsidy, stamp duty exemption on loan/mortgage/hypothecation/credit deeds, lease/lease-cum-sale agreements, and reimbursement of land conversion charges, etc.

Dedicated investment zone: Japanese Industrial Township in Tumakuru (Chennai – Bengaluru industrial corridor).

Gujarat: The emerging powerhouse

Investment opportunities in ongoing and emerging projects:

Sanand Mandal Becharaji (SMB) Industrial belt is expected to emerge as India's largest automobile hub.

Gujrat International Finance Tec-City (GIFT City) country's first financial services center, multi-specialty SEZ, and first smart city together in 886 acres of land.

Delhi-Mumbai Industrial Corridor (DMIC) with 62% of the total area of Gujrat falling under the DMIC region, is one of the most upcoming projects with tremendous potential from an industrial growth perspective. The process of land acquisition by the GIDB (Gujarat Industrial Development Board) for the development of logistics parks is already underway.

Japanese Industrial Estate first country-specific industrial estate focusing on automobiles & engineering sector with plug and play facilities.

Dholera SIR an upcoming region focused at defence, aviation & general manufacturing. SIR is Special Investment Region.

Pharmez (Zydus) Industrial Park the first pharmaceutical SEZ under the scheme for the development of pharma SEZ.

Inviting companies seeking to relocate from China, the state has earmarked over 33,000 hectares of land under its *Industrial Policy 2020-2025* and has proposed the creation of plug and play facilities on the SMB industrial belt.

Telangana

With an aim of becoming a leader in innovative technologies, the state has recently launched the draft "*Blockchain Policy*" setting out the framework of the blockchain ecosystem and establishing "Hyderabad" as the country's first blockchain district.

Proposed incentives:

- Incubator/shared infrastructure facilities.
- 25% subsidy on lease rentals for the first 3 years of operations.
- 50% subsidy on exhibition rentals for national/international exhibitions up to 9 sq. mtrs. of space.
- Land allotment at heavily subsidized rates.
- State of the art IT infrastructure facilities.

Tamil Nadu

Under the IT & ITeS sector, the state has one of the best IT infrastructural set up in the country. Some of the incentives under the *IT Policy 2018* include capital subsidy and electricity tax exemption, reimbursement of stamp duty, and up to 100% FSI (Floor Space Index) relaxation to IT and ITeS parks.


With the aim of positioning Tamil Nadu as the leading electric vehicle manufacturer, the state has recently enacted the "*Electric Vehicle Policy 2019*", which incentivizes manufacturers with a capital subsidy, stamp duty exemption, tax reimbursement, etc.

Under the "*Aerospace & Defence Industrial Policy 2019*" along with fiscal incentives the state provides 20% concession on actual land cost for industrial/aerospace/defense parks.

Uttar Pradesh (UP)

With over 25 SEZ dedicated for IT and ITeS and 40 IT parks, UP particularly the Noida-Greater Noida-Yamuna Expressway has slowly emerged as of the leading IT clusters of India.

The state "*Electronics Manufacturing Policy, 2017*" envisions Noida-Greater Noida as the leading electronics and mobile phone manufacturing zone. The state proposes to establish country-specific investment zones and provide an array of fiscal and non-fiscal incentives to potential investors.

To create land banks the state has also acquired 1200 hectares of land  under the proposed 3500 hectares of land as part of its "*Defence Industrial Corridor*" project.

Punjab

As part of the recently launched "*Land Bank*" initiative with the aim to reduce the number of days in procuring necessary clearances, the state is offering pre-cleared land under its industrial policy.

The state also helps identify and transfer various village common lands and unutilized government lands to be developed as "Industrial Parks".

In addition, the state offers fiscal incentives such as 100% stamp duty exemption/reimbursement for purchase or lease of land and building, exemption from property tax up to a maximum of 10 years in thrust sectors, and one-stop clearance system for utility permits.

Remarks

The above initiatives clearly underline the government's (Centre and state both) intent to foster an investor-friendly atmosphere and reform schemes to provide competitive costs of doing business in India. Keeping in mind the sheer diversity of real estate laws across India, it is imperative to carry out detailed due diligence as a pre-investment step for investors looking to invest in India.

Post pandemic scenario

Capitalizing on the current market disruption the Indian government has been quick to market the "*Make in India*" brand. Most of the states have already set up their "*special investment task forces*" to provide companies looking to move out of China a viable business alternative. The country in total has identified 461,589 (approx.) hectares of land for the purpose.





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attract foreign investment

FDI

grounding investment

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