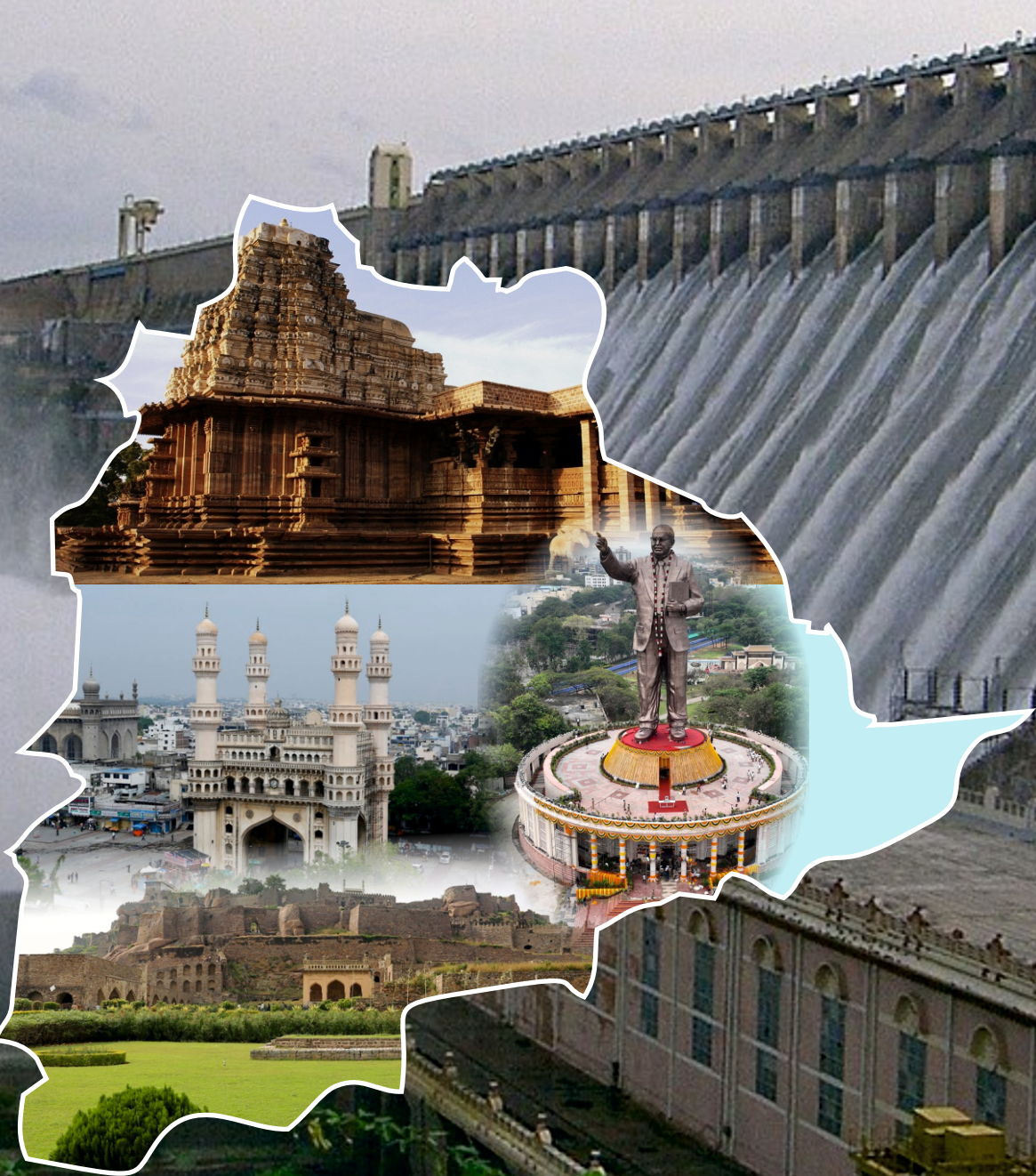




The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)



Telangana State MSME Policy



MSME & Startup Committee, ICAI

Disclaimer

This publication is intended solely for general information and reference purposes only and does not constitute professional advice. Readers are advised to seek professional help for specific queries. While every effort has been made to avoid any mistake or omission, ICAI assumes no responsibility and makes no warranty, either express or implied, regarding the accuracy, completeness, or timeliness of the content. ICAI would not be liable in any manner, whatsoever, to any person by reason of any mistake or omission in this publication or for any action taken or omitted to be taken or advice rendered or accepted on the basis of this publication. ICAI shall not be liable for any loss, damage, or consequences that may arise from the use of or reliance upon this publication, howsoever caused. Readers are advised to exercise their own independent judgment and consult official government sites, notifications, circulars, statutory instruments, and prevailing laws for the most current and authoritative pronouncements or seek independent professional advice before proceeding with any decision or action.

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 Ashok Babu Rayala** for their tireless efforts and contributions in preparing the **State-Specific MSME Policy of Telangana**, 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

Brief about the policy

Ideation to Action: The Government of Telangana through its revised MSME Policy 2024 has set an elaborative vision, offering end to end support from the startup to sales. The government has set a target to have a 25000 new MSME's. This policy aims to strengthen the vision of 15000 SC-ST and women entrepreneurs. This policy is designed to achieve the target of 10% increase in MSME contribution to GSDP and 15% year on year growth in MSME registered in TG iPASS. The Government of India introduced a huge economic stimulus package of INR 20 Lakh crores *Atma Nirbhar Abhiyan 2020* to help various sectors. This scheme designed to support industries in the form of various liquidity measures, changes in the regulatory frame work as well incentives for MSME's.

The government of India has launched a world bank supportive scheme called "**Raising and Accelerating MSME performance(RAMP)**" with the objectives of

- i. Strengthening coordination and institutions at the National and State level
- ii. Building and integrating technology platforms
- iii. Enhancing firm capabilities and access to markets
- iv. Strengthening the receivables financing market
- v. Enhancing guarantee products towards increased greening and gender participation
- vi. Expanding access to Online Dispute Resolution Mechanism (ODR)

Telangana MSME policy has proposed solutions in line with the objectives of Government of India scheme **RAMP**.

Commencement and Duration:

The Scheme will be in operation from 18/09/2024 to 31/03/2029 (inclusive of both dates), with such further modifications as may be brought from time to time. The units which commence operations between 18-09-2024 and the date of issue of these guidelines are free to choose the Incentives under this policy or earlier T-IDEA /T-PRIDE Scheme.

MSMEs in Telangana: An Overview

| Survey | Nature of Enterprises | Micro | Small | Medium | Total |
|------------------------|--|-----------|--------|--------|-----------|
| National Sample Survey | Manufacturing, Services, Retail, Wholesale | 25,94,000 | 10,000 | 1,000 | 26,05,000 |
| Udyam Registration | Manufacturing, Services, Retail, Wholesale | 8,64,202 | 26,560 | 3,028 | 8,93,790 |
| GoTG, 2023 | Manufacturing, Services | 34,953 | 18,394 | 1,411 | 54,758 |
| TG-iPass Registration | Manufacturing, Services | 15,434 | 6,106 | 666 | 22,206 |

- Telangana has registered nearly 9 lakh MSMEs on Udyam portal. 0.33% of these registered are medium enterprises
- Annual registration of new MSME units on the TG-iPASS portal has risen by 11-15% annually from FY 2014 to FY 2023.

Committed Support – Targets consolidation

- MSMEs in Telangana have shown great promise in the last ten years. MSMEs in the state have steadily formalised, with registrations on the TG-iPass portal increasing by 11-15% each year from 2014 to FY 2023. MSMEs on the TG-iPass portal have also increased their average investments by 115% between 2018 and 2023. The MSMEs in the state are willing to formalise their operations and grow in size.
- Despite their impressive performance, MSMEs in Telangana continue to face challenges with formalising and graduating in size over time. As per estimates by NSSO, 65.7% of all MSMEs in the state are yet to be formalized. Further, TG-iPass data shows that Telangana continues to have a limited number of Medium -Sized enterprises. Between 2016-2023, Medium-sized enterprises constituted only 2.9% of all manufacturing MSMEs and 3.5% of all service MSMEs registered on the TG-iPass portal
- Formalisation continues to be costly and challenging for Telangana’s MSMEs. To illustrate, small firms experience a **35% increase in unit labour costs** as soon as they formalise. Similarly, manufacturing MSMEs must forgo the use of **40–50% of their plot area** if they seek to comply with building regulations. Other regulations impose similar costs on MSMEs, often forcing them to remain informal in order to maintain cost-efficiency.
- MSMEs in Telangana also struggle to grow in size. MSMEs need adequate resources and remunerative opportunities to expand. However, enterprises face difficulties in accessing **land, finance, and other factors of production** at affordable rates. Enterprises also face challenges in identifying skilled workers and accessing global markets. The present MSME policy has been designed to systematically address these pain points, thereby enabling MSMEs to grow in size over time.
- The Government of Telangana has already implemented several process reforms, including the introduction of the **TG-iPASS portal**, to reduce entry and operational costs for enterprises in the state. The Government has also conducted two statewide surveys covering MSMEs as well as numerous surveys of sector-specific MSMEs to understand the key challenges faced by businesses. Through this policy, the Government seeks to address the barriers that discourage MSMEs from formalising their operations and expanding their scale of business.
- The present MSME policy is also geared towards helping MSMEs become model businesses for the 21st century. The policy proposes measures to help MSMEs become **“inclusive businesses”**—businesses that cater to the needs of individuals at the base of the economic pyramid by integrating them into the value chain of business ecosystems.

MSME Policy Targets

Impact of the Policy:

- 10% Increase in MSMEs Contribution to GSDP
- 15% Year on Year Growth in MSMEs registered on TG-iPASS

| OUTCOMES | KEY PERFORMANCE INDICATORS |
|--------------------------|--|
| Inclusive Employment | (a) Increase in 20% Jobs in MSME Sector (b) 30% of (a) is from SC/ST and Women workers |
| Equitable Growth | Increase in MSMEs by 20% in districts which currently have less than 10% of total MSMEs |
| Technology Modernisation | 10% Increase in average capital Investment per Micro,small and Medium unit |
| Improved Productivity | (a) 10% Increase in Gross Value Added contribution (b) 10% Increase in MSMEs graduate to next size category |

The government through this policy, primarily focused on the six constraints to MSME Growth i.e Land, Finance, Raw Materials, Labour, Technology and Markets and proposed measures to address the above challenges.

The Challenge: Access to Land

Land allotted by Telangana Industrial Infrastructure Corporation(TGIIC) is priced at Rs 31,360 per sqm in Siddipet and Rs 21,280 per sqm in Patancheru which is far above the prices for land allotted in Pune, Maharashtra.

A survey by Telangana Food Processing Society(TGFPS) reported that MSMEs need access to land for production around the capital. Consider the vacant plots of Telangana Industrial Infrastructure Corporation(TGIIC),about 13 of the 33 vacant plots are available in districts are two or more hours away from Hyderabad. The distance of these plots from the capital increases the cost of business operations, transportation and logistics.

Zoning regulations restrict supply of industrial land in the state. The Proposed Manufacturing zone between the Outer Ring Road, that covers Hyderabad city, and the Regional Ring Road, a 340KM expressing encircling Hyderabad, allows only a limited proportion of land for industrial and commercial use compared to the other zonal demarcations.

Proposed Solution

- For each Industrial Park that the government plans to build,20% of Plots will be reserved for MSMEs. The Government of Telangana proposes to develop 1 industrial park in each district in the next 5 years.Develop ten industrial parks between Outer Ring Road(ORR) to Regional Ring Road(RRR) out of which five will be MSME Parks.
- TGIIC to lease industrial plots/sheds for 30-year period on recovery of upfront lease premium fixed from time to time.
- Expand areas marked for industrial, commercial and mixed-use zones between Outer Ring Road(ORR) to Regional Ring Road(RRR).
- MSMEs are currently given 100% reimbursement on stamp duty payable on the purchase and lease of land for industrial use under T-PRIDE and T-IDEA policies. The Government of Telangana will continue to do so.

- The Government of Telangana will encourage the development of private flatted factory complexes that earmark at least 20% of units for MSMEs
- The Government of Telangana will offer 100% reimbursement on stamp duty applicable on the purchase and lease of land by flatted factory complex developers.
- Between ORR and RRR, one flatted factory will be exclusively for Innovative Startups and MSMEs

The Challenge: **Access to Finance**

MSMEs find difficult to meet collateral requirements set by banks for loans, where few instances were noticed few banks are asking for 200% of the loan value.

About 81% of micro enterprise and 50% of small and medium enterprises reported a time period of more than 90 days to receive payments there by creating working capital challenge. MSMEs have limited assets to be made available as collateral to lending institutions, given that most of their assets are already collateralised to finance capital needs

Proposed Solution

- Additional Incentive: Under T-IDEA scheme, Capital Investment subsidy for eligible Micro and small enterprises have been increased to 25% from 15% which means Maximum relief has gone to INR 30 Lakhs from INR 20 Lakhs. Additional subsidy for women will be increased from 10% to 20% up to a limit of INR 20 lakhs.
- Reverse factoring arrangement for public contracts: Under reverse factoring arrangement, a financial institution would make upfront payment to suppliers on behalf of a MSME owner. In return, the owner would pay the financial institution at later date.
- Alternative Source of finance: The Government of Telangana planning to run a pilot program for revenue- based financing for MSMEs. Under this model, MSMEs can access credit based on future sales, reducing upfront burdens and making funding more accessible, especially for women-led ventures.
- The Government of Telangana will institute programs for blended, involving a collaborative role between the state government and lending institutions to give loans specifically to MSMEs.

The Challenge: **Access to Raw Material**

The Department of Industries and commerce reported that 25% of MSMEs in Telangana experienced delays in the delivery of raw materials.

MSMEs also facing issue on storage of their raw materials and finished products due to limited availability of warehousing facilities. Telangana has 161 registered warehouses across the state i.,e only five warehouses per district.

Telangana has only one Common Facility Centres out of 92 centres in India. Access to such testing facilities is important for MSMEs to indicate the quality of raw materials used in production and integrate with the export value chain. Proximity to such centres will reduce the cost of initiating new channels of supply for MSMEs

Proposed Solution

- The Government of Telangana will Establish 10 new common facility centres in the 10 districts with the highest incidence of MSMEs with a view to ultimately providing one common facility centre in each district.
- Common Facility centres can provide MSMEs with affordable access to facilities for the testing of the quality of raw material.
- The Government of Telangana will additionally establish Cluster Based Testing Facilities(CBTF) through a Public-Private-Partnership model. These will be established for plastic products, bulk drug manufacture and garment processing clusters.
- Offering 100% discount on stamp duty applicable on purchase and lease of land by warehouse developers. The government will encourage the construction of one warehouse in each park and wherever feasible through PPP Model. Capital and Interest subsidies provided under the Telangana State Logistics Guidelines will be extended to the warehouses.
- Reimbursement of duty incurred on import of raw material at the time of import. Currently exporting MSME's can only claim import duty drawback after the final product is exported. This system increases working capital constraints for MSMEs in the period between the import of raw material and the export of final product.
- The government will facilitate onboarding onto B2B/B2C platforms (e.g., ONDC, Power2SME, IndiaMart) by utilizing Business Facilitators under the RAMP scheme to improve digital access and business opportunities
- The government will collaborate with certification bodies to simplify obtaining quality certifications like ISO and IMS for raw material suppliers

The Challenge: **Access to Labour**

As per India Skill Report 2024, shows that Telangana has the highest availability of talent proficient in technical areas like numerical skills with 76.7% however only 37.7% of talent in Telangana is proficient in critical thinking skills. Therefore, Skilling from formal institutions needs to be supplemented by on-the-job training. Workers in the state recognise this, with 96.7% of young talent in Telangana looking for Intern Opportunities.

As per the government estimates five to six lakh migrant workers are working in Telangana who may/ will keep on travelling back to their home for various reasons. This results in MSME's facing challenges around workers.

The state's unemployment rate stands at 7.6%. This indicates that the state has a large pool of labour that can avail of employment. The 2024 India Skills Report supports this view, observing that state has greatest concentration of employable talent in the 18-21 age category(85.45%)

Proposed Solution

- Setting up of the Telangana skilling university which provides the courses for upskilling the young talent.
- Creating a new dedicated platform Digital Employment Exchange of Telangana to simplify talent discovery in the state.

- Promotion of worker housing reforms in industrial zones to encourage retention of workers.
- Rationalisation of compliance requirements for labour contracts.
- Systematically review and rationalise prohibitions under The Telangana Factories Rules, 1950 on employment of women workers in various sectors including biotechnology and pharmaceuticals, food processing , Information Technology and IT -Enabled services as well as restrictions on their employment in commercial establishment in the state.

The Challenge: Access to Technology

As per a sample survey:

- Only 25% of MSMEs in Telangana were aware of automation of industrial processes
- Only 38% of MSME's knew about Credit linked capital subsidy and Technology upgradation scheme introduced by GOI.

Proposed Solution

- Identifying the technology needs of MSME's
- Allocation of fund of 100 Crore over the next four years to the Yantram Fund which will be used for technology transfer and modernisation in the MSME sector.
- Providing subsidy on the expenses for patent registration limited to INR 2 Lakhs. Currently, Government provides subsidy for patent registration to SC/ST-owned MSME's of INR 3 Lakhs. The subsidy will be provided to other MSME's up to a limit of of INR 2 Lakhs.

The Challenge: Access to Markets

An internal survey shows that MSME's in Telangana struggle to understand complex product testing certifications and expert standards set by large national and international buyers. For example, only 64 firms in Telangana have ZED(Zero Defect Zero Effect) certification

Proposed Solution

- Reimbursement of duty on samples imported for prototyping up to 10Lakh and for MSMEs owned by women, reimbursement up to 15Lakh.
- Reimbursement of cost for acquiring quality certificates upto a maximum amount of INR 3 Lakhs.
- Policy with preferential public procurement from MSMEs
 1. 20% of public procurement from MSMEs
 2. Sub-reserve 5% from SC/ST MSME's
 3. 5% of total procurement from MSME's owned by women.

To ensure effective and efficient implementation of the policy, a high level steering committee will be established under the state leadership to monitor delivery on commitments and set policy direction. The government has earmarked INR 600 crores over the next five years to support these initiatives.

The Concentration of MSME’s around the State Capital

| State | Capital and Adjoining Districts | MSMEs in selected Districts | Total MSMEs in state | % of share of MSMEs in Selected districts |
|-----------|--|-----------------------------|----------------------|---|
| Telangana | Hyderabad,Ranga Reddy, Medchal- Malkajgiri | 3,58,563 | 8,93,790 | 40 |

- According to data from Udyam registrations, 40% of MSMEs in Telangana are situated in and around the capital district.

| Sector | Micro Industries | Small Industries | Medium Industries | Total |
|---|------------------|------------------|-------------------|-----------|
| Services | 29,34,242 | 2,39,793 | 93,330 | 32,67,365 |
| Food Processing | 9,23,611 | 62,271 | 24,211 | 10,10,093 |
| Mineral Based and Wood-Based Industries | 4,08,110 | 26,837 | 9,379 | 4,44,326 |
| Engineering and Capital Goods | 3,67,952 | 67,558 | 37,763 | 4,73,273 |
| FMCG and Domestic Appliances | 3,60,892 | 33,411 | 14,489 | 4,08,792 |
| Textiles Industry | 2,76,601 | 10,860 | 9,348 | 2,96,809 |
| Auto and Components | 2,46,534 | 8,292 | 9,427 | 2,64,253 |
| Health & Life Sciences | 1,42,209 | 38,605 | 34,385 | 2,15,199 |
| Plastic and Polymers | 82,314 | 21,958 | 14,077 | 1,18,349 |
| Electronics & IT Hardware | 72,574 | 7,172 | 8,122 | 87,868 |
| Gems and Jewellery | 59,750 | 8,984 | 3,398 | 72,132 |
| Waste Management and Green Technologies | 23,804 | 1,631 | 598 | 26,033 |

MSME Classification

| Criterial | Manufacturing Enterprises and Enterprises rendering Services | |
|-----------|--|-------------------------|
| | Investment in Plant & Machinery or Equipment | Annual Turnover |
| Micro | Not More than 2.5crore | Not More than 10 crore |
| Small | Not More than 25 crore | Not More than 100 crore |
| Medium | Not More than 125 crore | Not More than 500 crore |

Definition of Scheduled Castes/ Scheduled Tribe owned enterprises:

- Enterprises owned by Scheduled Castes, Scheduled Tribe entrepreneurs and Persons with disability means those units established as sole Proprietor by Scheduled Caste/Scheduled Tribe Entrepreneurs/Persons with Disability or invariably having 100% share in Partnership/Private

Limited Companies. Wherever Scheduled Caste, Scheduled Tribe entrepreneurs join together and form a joint venture the incentives will be determined basing on majority holding by Scheduled Caste or Scheduled Tribe Promoters. Such combination should be continue for at least three (3) years for Micro & Small Enterprises and Eight (08) years for Medium Enterprises.

- Enterprises owned by Scheduled Castes/ Scheduled Tribe entrepreneurs of the State of Telangana with equity holding of at least 51% and their counter parts belongs to other State of India with equity holding up to 49% are joined together and form a joint venture, such joint venture is also eligible for incentives under MSME policy, 2024 subject to condition that the caste of the shareholder(s) from other state is recognized as SC/ST by the respective states.
- Scheduled Castes (Hindus) Converted to Christianity are also eligible to avail Incentives under MSME Policy, 2024.
- Industrial Cooperative Societies Mutually Aided Cooperative Societies (MACS) engaged in the Industrial activity promoted by SC/ST/PwDs should be exclusively (i.e.100%) for the benefit of SC/ST/PwDs Entrepreneurs.
- In case of Enterprises set up by Scheduled Caste /Scheduled Tribe / PwD Entrepreneurs, transfer of ownership is not normally permitted. However, transfer from one SC/ST/PwDs entrepreneur to another SC/ST/PwDs entrepreneur may be allowed with the prior 11 approval of Commissioner of Industries subject to condition that ultimately 100% shareholding of the SC/ST/ PwDs entrepreneur is protected /maintained

Definition of Women Enterprises

- Micro/ Small Enterprises wholly promoted by Women Entrepreneurs as proprietor /partnership /private limited company as sole Proprietress are eligible or invariably having 100% share in Partnership/Private Limited Companies are eligible.
- Industrial Cooperative Societies engaged in the Industrial activity promoted by Women should be exclusively (i.e.100%) for the benefit of Women Entrepreneurs.
- In case of Enterprises set up by Women Entrepreneurs, transfer of ownership is not normally permitted. However, transfer from one Women entrepreneur to another Women entrepreneur may be allowed with the approval of DIPC/SLC subject to condition that ultimately 100% shareholding of the Women entrepreneur is protected/ maintained.

Exclusive Incentives available now for Women and SC/ST enterprises:

- Out of five dedicated industrial parks for MSME's, one park is exclusively for women owned enterprises. In rest, 5% of plots will be reserved for women entrepreneurs and 15% of plots will be reserved for SC/ST entrepreneurs.
- MSME's run by SC/ST entrepreneurs will be given rebate on land purchase with the cap to 50% limited to INR 50 Lakhs.
- Under the T-IDEA scheme, SC/ST owned micro and small enterprises receive a capital investment subsidy of 50% up to a limit of 1Cr.
- Women owned Micro and small enterprises receive additional subsidy of 20% up to a limit of INR 20 Lakhs.

- Fixed power cost reimbursement at INR 1.5 per unit for a period of 5 years from the date of commencement of commercial production. (Source : G.O.MS.No.29 dated 29.11.2014)
- Government to construct flatted factories with in-built facilities for women across 119 constituencies and encourage women members of Self Help Groups(SHG) to set up small businesses.
- Reimbursement of 100% Net State Goods and Services Tax (SGST) for a period of 5 years from the date of Commencement of Commercial Production or up to realization of 100% eligible Fixed Capital Investment, whichever is earlier.
- Interest subsidy under Pavala Vaddi Scheme on the term loan taken on eligible Fixed Capital Investment by New Micro and Small Enterprises 15 in excess of 3% per annum subject to a maximum reimbursement of 9% per annum for a period of 5 years from the date of Commencement of Commercial Production.
- 50% Reimbursement of cost involved in skill upgradation and training only local Manpower limited to Rs.2,000 per person as a onetime facility will be provided.
- 25% subsidy on Specific Cleaner Production Measures limited to Rs.5.00 Lakhs.

Incentives Offered to MSMEs under General Category:

| Incentive Type | Micro Enterprise | Small Enterprise | Medium Enterprise |
|--|--|--|--|
| Stamp duty and Transfer duty reimbursement on purchase of Land for Industrial use | 100% | 100% | 100% |
| Stamp Duty paid by Industry for lease of land/shed/Buildings and also Mortgages and Hypothecations | 100% | 100% | 100% |
| Reimbursement of Land Cost | 25% upto 10Lakhs | 25% upto 10Lakhs | 50% upto 50Lakhs |
| Land Conversion(from Agri to Non Agri) | 25% upto 10Lakhs | 25% upto 10Lakhs | 25% upto 10Lakhs |
| Power subsidy | Rs 1per unit upto 5 years from commencement of commercial production | Rs 1per unit upto 5 years from commencement of commercial production | Rs 1.5per unit upto 7 years from commencement of commercial production |

Sectors Specific Incentives:

Telangana state had specific policy (Subject to renewal of policies from time to time)for the following sectors

- Textile Policy
- Telangana Rural Technology Centres Policy 2016
- Telangana Open data policy
- Telangana Data Analytics Policy
- Telangana IoT Policy 2017

- Telangana Cyber Security Policy
 - Telangana Gaming Animation Policy 2016
 - Telangana Data Centres Policy
 - Telangana Innovation Policy 2016
 - Telangana Electronics Policy 2016
 - Incentives for Expansion of IT/ITeS Companies
 - Telangana eWaste Management Policy 2017
 - Telangana EV-ESS Policy.
- The Government of Telangana implementing close to 80 schemes in line with schemes introduced by central government under various department. The hand book on the schemes can be accessed below
- https://industries.telangana.gov.in/Library/Total%20%20Book%20-%20MSME%20-%20Grand%20Final%20-%202007_10_2024.pdf

Other Tax Exemptions and Financials Incentives under this Policy:

- The government offers 100% reimbursement on stamp duty applicable on purchase and lease of land by flatted factory complex developers. Rebates on land cost offered to standalone units under this policy will be offered to private flatted factory developers as well.
- The government offers 100% discount on stamp duty applicable on the purchase and lease of land by warehouse developers.
- The government of Telangana proposes to reimburse the customs duty incurred on import of raw material at the time import.
- Subsidy for Patent registration expenses
For SC/ST-Owned MSME's - 100% subsidy up to INR 3 Lakhs (Under T-Pride scheme)
For Others- 100% subsidy up to INR 2 Lakhs (Under T-IDEA Scheme)
- The Government will now pay for the duty on imported sample for prototyping
For women owned MSME's – up to INR 15 Lakhs
For Other MSME's – up to INR 10 Lakhs

Procedure for Availing the Incentives for MSME

The Telangana Government has enacted the "Telangana State Industrial Project Approval and self-certification System(TG-iPASS) Act, 2014" for speedy processing of applications for issue of various clearances required for setting up of industries at a single point based on the self-certificate provided by the entrepreneur and also to create investor friendly environment in the state of Telangana.

Official website for availing incentives is below <https://ipass.telangana.gov.in/>

Detailed procedure for applying can be accessed in the below link

<https://ipass.telangana.gov.in/viewpdf.aspx?enc=oISBrXl6rl1gh1Zl/gAtClkxOo/1mEK3ZEGdedYO3d-bgHlf+VSWFL6LVs+mm8Rg6nTRHe7ixLA1Uzvt6vtEODzCxH/7ydluZb3fJ74NogLTcnDEcr0YkPR-3556crt1ua>

Certification by Chartered Accountants:

To Avail Following Incentives, MSME unit to produce a certificate by Chartered Accountant.

- 1) Reimbursement of Power Consumption charges
- 2) Reimbursement of Net SGST
- 3) Value of Second hand plant and Machinery imported
- 4) Certificate for Expenditure incurred on Technical Consultancy/Feasible study including Turn-key charges which are part of Fixed Capital Investment.
- 5) Certificate for List of Plant & Machinery installed.
- 6) Certificate for Equity capital of each director or partner in the company or partnership firm
- 7) Certificate for Fixed Capital Investment values

Ineligibility:

(Source : OPERATIONAL GUIDELINES FOR IMPLEMENTATION OF MSME POLICY (INCENTIVE SCHEME), 2024)

- 1) All Servicing Activities excluding activities mentioned at below are not eligible for any Benefits for General Category Entrepreneurs.
 - Auto servicing and/or repairing units with investment more than Rs.10.00 Lakhs in Plant & Machinery
 - Pharmaceutical R&D Units
 - Industrial material testing laboratories
 - General engineering machining workshops
 - Common effluent treatment plants
 - Cold storage
 - Heat Treatment, Electroplating and Galvanising units.
 - Seed processing units
 - Power Laundries
 - Packaging Activity with investment more than Rs.10.00 Lakhs in Plant & Machinery
- 2) New Industrial Enterprise being set up within the limits of Greater Hyderabad Municipal Corporation excluding existing Industrial Estates/Parks, Industrial Estates notified, Industrial Estates to be notified and commenced commercial production on or after 18/09/2024 but before 31/03/2029. However, the Industrial Enterprises set up at Sanathnagar, Azamabad, Chandulal Baradari and Kattedan Industrial Estates are not eligible under New MSME Policy 2024.
- 3) New Industrial Enterprise/Industry established with Plant and Machinery on lease is not eligible for Benefits/concessions.

- 4) New Industrial Enterprise/Industry established with second hand machinery is not eligible for Benefits/concessions except where the cost of such machinery does not exceed 25% of the total cost of plant and machinery.
- 5) Composites Industrial Enterprise set up for manufacture of an eligible item along with an ineligible item are not eligible for Benefits/concessions except when the proportion of ineligible items in the total production is less than 10% in value of the total turnover.
- 6) New Integrated Steel Plants i.e., starting with iron ore / scrap and using the liquid metal to make Billets, Coils, Strips, Slabs or Alloy Steels Enterprises/Industries involved in part production are eligible for all other Benefits except Power cost reimbursement under MSME Policy 2024. However, manufacture of Sponge Iron and Pig Iron are eligible for reimbursement of Power cost including other Benefits under New MSME Policy 2024.

General Conditions:

- 1) The claim applications filed after six months but before one year from the specified date as defined for sanction of Incentives will be treated as belated claims and are eligible for 50% of all the Incentives. All claims filed beyond one year are not eligible for any Incentives
- 2) All eligible Micro and Small Enterprises established in leased premises should furnish a registered lease deed which is valid for a period of at least three (3) years in case of SC/ST/PWD entrepreneurs and for others six (6) years from the date of commencement of production. However, in case of any break in production, the registered lease deed shall be extended for the same period of break in production.
- 3) All eligible Medium Enterprises should furnish a registered lease deed which is valid for a period of at least Eight (8) years from the date of commencement of production. However, in case of any break in production, the registered lease deed shall be extended for the same period of break in production
- 4) All eligible SC/ST/PwD Enterprise/Industry should furnish a registered lease deed for a period of three (3) years from the date of commencement of production for Micro and Small Enterprises along with notarized affidavit to abide by the MSME Policy 2024 guidelines in running the unit without break for stipulated period of three (3) years from DCP. If there is any break in production, the registered lease deed shall be extended to the equivalent period of break in production beyond three (3) years from DCP otherwise the entire subsidy shall be recovered. The medium enterprise should furnish a registered lease deed for a period of Eight (08) years from the date of commencement of production. However, in case of any break in production, the registered lease deed shall be extended for the same period of break in production
- 5) If any Micro and Small Enterprise new or taking up Expansion/ Diversification had availed Investment Subsidy under any scheme i.e. any similar Incentives of State Government / Government of India/ Institutions/ Agencies already availed/ Government of India Incentives which may be announced from time to time and other such Incentives extended by any other Government Agency, the total subsidy amount would be limited to the maximum subsidy entitled by the unit under this Policy.

- 6) In case of existing Industrial Enterprise setting up a New Industrial Enterprise with separate identifiable Investment, the words 'SEPARATE IDENTIFIABLE INVESTMENT' shall mean that the Enterprise/Industry should not have any production linkage with the existing manufacturing process and the product should be a separate product itself with independent marketability. The new Enterprise/Industry should be in a separate building, should maintain separate books of accounts and the project should be appraised independently by financial institutions as a viable project. A new project will not, however, be regarded as a "Separate Identifiable Investment" if the utilities of the existing Enterprise/Industry like water, electricity, steam and pollution control systems are extended to the new Enterprise/Industry
- 7) If any existing Industrial Enterprise setting up a New Industrial Enterprise with separate identifiable Investment for the same end product/new product at different location in the same name it will be treated as new Enterprise/Industry (separately identifiable Investment), even though there is no separate Goods & Services Tax registration number 34 (GST) and separate marketability, since the Sales Tax Department is issuing only one GST registration number (GSTIN) for one dealer even they have more than one Enterprises/Industries within the state. However, they have to maintain separate books of accounts for each location. Clubbing of investment criteria is not applicable.
- 8) If more than one Service enterprise of Mobile nature (HMV, Goods and Passenger Transport, Earth moving equipment, Bore well, Construction Equipment etc.) are set up by a family at same location or different location, in the same line of activity or different line of activity with same name or different names, the Second unit onwards shall be treated as expansion enterprises for processing and sanction of eligible incentives under MSME Policy 2024. (Government Memo No. 4786/IP,INF/A1/2017, Dt. 10/02/2018)
- 9) Scheduled Castes (Hindus) Converted to Christianity are eligible to avail Incentives under MSME Policy 2024
- 10) In respect of the Mobile units/equipment working in other districts within the state, General Manager of the District where the Mobile unit /equipment is working is authorized to inspect the Mobile unit/ equipment and send report to the General Manager, DIC, from where the proposal is originated (Circular Memo No. 39/1/2016/22386, Dt. 13/05/2016).
- 11) In respect of the Mobile units / equipment working outside the state, shall be inspected at the address mentioned in claim application for sanction and release of subsidies (Circular Memo No. 39/1/2016/22386, Dt. 31/03/2016)
- 12) All Cotton Ginning & Pressing Units are eligible for Incentives, only on submission of Star Rating Certificate from the Textile Committee, Government of India and only if they don't avail Incentives from any other Department/ Agency.
- 13) If any applicant failed to reply to the query raised by the GM, DIC/Director of Industries within 90 days, in respect of the application filed in TG-iPASS Portal, the same will be auto rejected. If the applicant files the application, again, after auto rejection, the same will be processed by taking the latest date of filing into consideration. However, this condition of auto rejection for non-compliance within 90 days is not applicable for SC,ST,PwD Entrepreneurs.

- 14) Sanctioned Incentives to the Micro and Small Enterprises which were in operation for three (3) years in case of SC/ST/PWD entrepreneurs and for others 6 years from D.C.P. Medium Industries which were in operation for 8 years from D.C.P and closed subsequently can be considered for release by placing them last in the seniority of sanctions of the respective S.L.C.
- 15) All the Entrepreneurs should have a Permanent Account Number (PAN).

Incubation Facilities available in state of Telangana:

Telangana state had 12 state supported incubators.

- **Centre of Excellence for Cybersecurity** – Email at Sriram.B@dsci.in
- **COE E waste Management** – Email at ypurushotham@cmet.gov.in
- **Image Incubator** – Email at ramakishore.babu@stpi.in
- **National Centre for Additive Manufacturing (NCAM)** – Email at Swetha.Gandra@ncam.in
- **Osmania TBI**- Email at director.tbi@osmania.ac.in
- **Photonics Valley** – Email at manager_admin_pvc@telangana.gov.in
- **RICH** - Email at infoanalyst-rich@telangana.gov.in
- **T-AIM**- Email at PMokkapati@nasscom.in
- **TGIC**- Email at prannay.tsic@telangana.gov.in
- **T-HUB** - Email at kashika.dochania@t-hub.co
- **T-WORKS**-
- **WE-HUB**- Email at info-wehub@telangana.gov.in

For more details please visit <https://startup.telangana.gov.in/incubators/>

Stepwise approach to avail incubation support from State-supported Incubators:

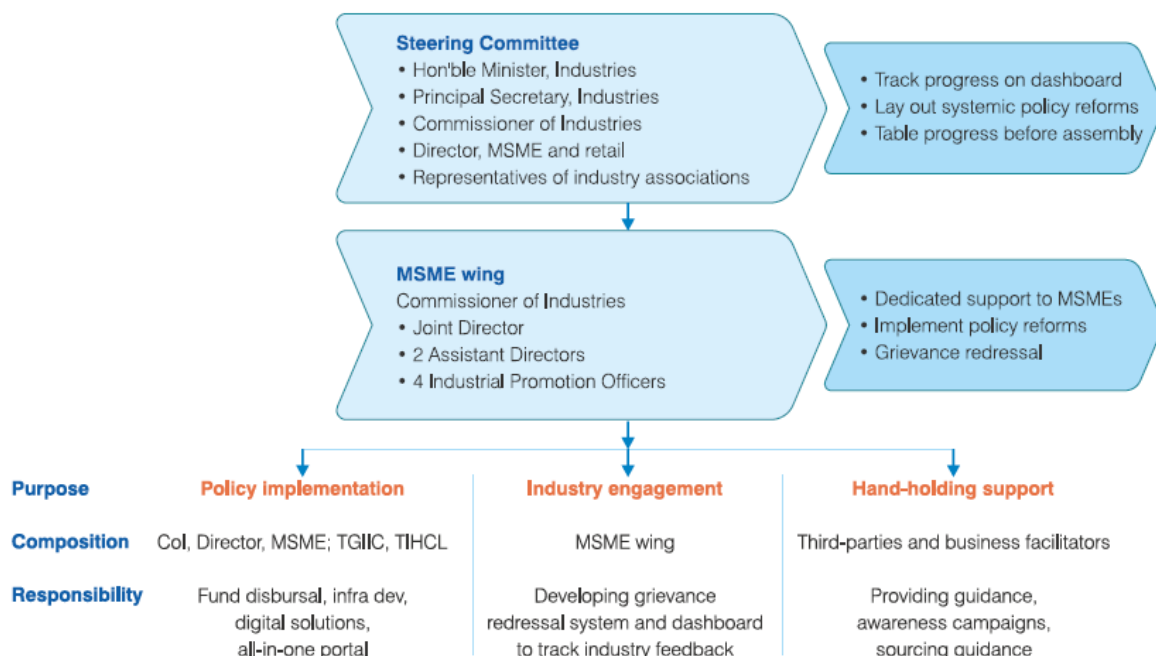
- “ Startups must register with the Startup Telangana Portal and complete the Telangana Startup Recognition process - <https://startup.telangana.gov.in>
- After receiving the Telangana startup recognition ID, log into the portal, click on “Incubation Support” available on the menu.
- Fill out the Incubation Support form and choose the incubator to avail incubation support
- Committee will review your application and shortlisted startups will be informed of the next steps by the incubator within 3 to 4 weeks

Departmental Governing Structure

Implementation of commitments under this policy will be monitored by a steering committee.

The composition of steering committee and governing structure will be as follows.

Figure: Flow-chart describing the governance structures for different functions



Source : Telangana MSME Policy -2024 policy document

For MSME officers contact details, Please visit <https://industries.telangana.gov.in/keycontacts1.aspx>

CHANGE OF CONSTITUTION/ MANAGEMENT/ NAME OR STYLE OF INDUSTRIAL ENTERPRISE/ FINANCIAL INSTITUTION:

1. Any change in constitution / management /name or style of Industrial Enterprise /financial Institution within three (3) years in case of SC/ST/PWD entrepreneurs and for others 6 years from DCP of a Micro Enterprise shall have the approval of District Industrial Promotion Committee (DIPC). Any change in constitution / management / name or style of Industrial Enterprise / financial unit within three (3) years in case of SC/ST/PWD entrepreneurs and for others 6 years of a small Enterprise and within 8 years of a medium Enterprise shall have the approval of the S.L.C.
2. In all such cases, the applicant shall file an application with the concerned GM, DIC along with
 - 2.1. NOC from a financial institution
 - 2.2. Certificate of Incorporation from Registrar of Companies (ROC)/ partnership deed.
3. GM, DIC, after verification, shall place all such requests of Micro Enterprises in the DIPC for approval and recommend the requests of Small and Medium Enterprises to the Commissioner of Industries for placing in S.L.C. for taking a decision.

MERGER/AMALGAMATION OF THE INDUSTRIAL ENTERPRISES:

1. Approval of the State Level Committee is necessary for any merger/ amalgamation of Enterprises/ Industries.
2. The Public and Private Limited Companies seeking merger/ amalgamation of their group of companies shall submit an application to Commissioner of Industries through General Manager, District Industries Centre concerned along with
 - 2.1. Necessary orders of appropriate forum under Companies Act
 - 2.2. NOC from the Financing Institution
 - 2.3. Udyam Registration Certificate
 - 2.4. Incorporation Certificate from the Registrar of Companies.
3. The Partnership Firm shall submit No Objection Certificate from their Financing Institution and Firm Registration
4. The Proprietary concern shall submit NOC from the Financing Institution.

Annexure-1 : List of Ineligible Activities for General Category Enterprises but eligible for SC/ST/PWD Entrepreneurs

1. Nut Powder including Raw nut processing, Chikini Powder and Pan Masala and Tobacco based chewing products.
2. Powders of Chilly, turmeric, Masala, Spices, Curry, Sambar etc. except those having ISI, AG Mark or FPO Mark or FSSAI License
3. Sweets
4. Distilleries, Breweries, Beer and other Alcoholic Drinks except Winery
5. All table meat, animal rearing/farming like poultry, piggery etc.,
6. All types of Hatchery
7. Rectified Spirit (Alcohol) from out of Molasses, except Grain based ENA (Extra Neutral Alcohol)
8. Alcohol based Industries except Pharmaceuticals and Drug Industries
9. Varnishes and Thinners
10. Chloral Hydrate
11. Lime Kiln/Burnt Lime/Hydrated Lime
12. Tobacco barns/Tobacco re-drying/ processing, Beedi / Cigarette manufacturing and other Tobacco based products
13. Coal Pulverizing
14. Soap making units not operated by power driven machinery
15. Shampoos and other Cosmetic items except those having ISI Mark

16. Cinematography / Videography / Video Parlours / Theatres / Photo studios and colour film laboratories
17. All industries of mobile nature like rigs, concrete mixing plants, road metal mixing, readymade concrete mixing etc., including site-oriented industries
18. Mining and Quarrying
19. All types of Generation, Transmission and Distribution of Electricity except the Solar Power Units established by Women Self Help Groups and Village Organisations subject to condition of obtaining necessary approvals including the PPA with Energy Department/DISCOMs.
20. Pyrolysis units
21. Calcium carbide and Silicon carbide manufacturing
22. Ferro Alloys Manufacturing
23. Steel Rerolling mills, rolling of rods including Tor steel angles, channels, Flats, TMT Bars, etc
24. Steel Structural & Fabrication Works except units with Investment in Plant & Machinery more than Rs.50.00 Lakhs.
25. Steel gates /grills and Bright bars
26. G.I. Buckets, Gamelas, Boiling Pans, Trunks, Spades, Momentous, Shovels and Bins
27. Hotels and Motels
28. Composite Units setup for manufacture of an eligible items along with ineligible items except when the proportion of in-eligible items in the total production is less than 10% in value of the total turn over
29. Any other industry notified by the State Government for inclusion in this list from time to time
30. Ice Cream, Ice Candy, Kulfy, Ice Fruit, Pepsy, Tuty Fruity etc. except those having ISI, AG Mark or FPO Mark or FSSAI License (Food Safety and Standards Authority of India).
31. Chocolate, Peppermints and Confectionery, Chewing gum except those having ISI, AG Mark or FPO Mark or FSSAI License
32. Cotton/Jute/Iron Scrap Bailing processes
33. Cotton ginning and pressing except Modern ginning as per the norms Of Technology Mission on Cotton, Ministry of Textiles, Government of India
34. All process of Edible Oil Seeds/Cakesviz.,1. Groundnut 2.Sesam 3. Safflower 4. Rape Seed / Mustard 5. Coconut (both tender & dry) 6.Sunflower, Niger Cotton Seed. (All processes including Decorticating, Expelling, Crushing, Roasting, Parching, Frying)With investment less than Rs.0.50 Crores in Plant and Machinery
35. Rice, Dall and Flour Mills including Roller Flour Mills, Modern Rice Mills and Parboiled Mills, Idli Rava, Parched/ Flaked Rice (Poha & Murmura) with investment less than Rs.0.50 Crores., in Plant and Machinery

36. Coffee Roasting, Grinding with investment less than Rs. 0.50 Crores in Plant and Machinery
37. Packaging Drinking water & Aerated Water including soft drinks except the units having BIS, FSSAI licenses (as applicable). However, Packaged Drinking Water units supplying water in sachets are not eligible for incentives even if they have BIS, FSSI licenses.
38. Khandasari Sugar and Sugar Mills and Jaggery making excluding mechanized khandasari and jaggery units set up outside HMDA limits with an investment more than Rs.1.00 Cr. in Plant & Machinery
39. All types of printing presses excluding the units with investment more than Rs.1.00 Cr. in Plant & Machinery
40. Book binding/ Note Books / Exercise Note Books/Registers /Ledgers /File Pads/Office Files etc. except the units with investment more than Rs.1.00 Cr. in Plant & Machinery.
41. All types of Saw-mills, all types of wooden furniture including wood Based laminated products excluding MDF and Particle boards
42. Machine Operated Manure mixing industry excluding those set up outside HMDA
43. Tailoring except Readymade Garments unit with an investment of more than Rs.50.00 Lakhs in Plant & Machinery

Note: All types of Integrated Steel Plants are not eligible for Power cost reimbursement

CHARTERED ACCOUNTANT CERTIFICATE

I/We here by confirm that I/We have examined the prescribed registers, books of account and the bank statement in respect of M/s(Enterprise).

| SI No. | Nature of the Asset | Value in Rupees |
|--------|---------------------|-----------------|
| 1 | Land | |
| 2 | Building | |
| 3 | Plant C Machinery | |
| | TOTAL | |

I/We here by certify that the above figures furnished by the Enterprise holder are verified with the records of the Enterprise as per the provisions stipulated in G.O.Ms.No.16 Industries and Commerce (FPCMSME) Department., dated.18/09/2024.

I/We fully understand that any submission made in this certificate if proved incorrect or false, will render me/us liable to face any penal action or other consequences as may be prescribed in the law or otherwise warranted.

Signature Stamp/seal of the Signatory

Name

Membership No.

Full address

Name and address of the Institution where registered.

CA UDIN No:

Date:

Place:

CHARTERED ACCOUNTANT CERTIFICATE FOR EXPANSION UNITS

I/We here by confirm that I/We have examined the prescribed registers, books of account and the bank statement in respect of M/s(Enterprise).

| SI No. | Nature of the Asset | Investment of Existing unit (in Rs) | Investment of expansion unit (inRs) | % of Increase |
|--------|---------------------|-------------------------------------|-------------------------------------|---------------|
| 1 | Land | | | |
| 2 | Building | | | |
| 3 | Plant C Machinery | | | |
| | TOTAL | | | |

| | Line of activity | Units i.e. Nos./Tons/Ltrs. | Installed Capacity | Values in Rs. |
|--|---|----------------------------|--------------------|---------------|
| | New/Existing Enterprise | | | |
| | Expansion/Diversification Project | | | |
| | % of increase under Expansion/Diversification Project | | | |

I/We here by certify that the above figures furnished by the Enterprise holder are verified with the records of the Enterprise as per the provisions stipulated in G.O.Ms.No.16 Industries and Commerce (FPCMSME) Department., dated.18/09/2024.

I/We fully understand that any submission made in this certificate if proved incorrect or false, will render me/us liable to face any penal action or other consequences as may be prescribed in the law or otherwise warranted.

Signature Stamp/seal of the Signatory

Name

Membership No.

Full address

Name and address of the Institution where registered.

CA UDIN No:

Date:

Place:



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