

Scheme for Plug-and-Play Industrial Sheds Development under Public-Private Partnership (PPP) Design-Build-Finance-Operate-Transfer (DBFOT) Model in Uttar Pradesh-2026

1. INTRODUCTION, CONTEXT AND NEED FOR THE SCHEME

The Government of Uttar Pradesh has adopted the strategic objective of achieving a USD 1 Trillion Gross State Domestic Product (GSDP). Attaining this target requires a significant acceleration in industrialisation, rapid expansion of manufacturing capacity and a substantial reduction in the time taken for new industrial units to commence production. Faster operationalisation of factories is essential for increasing output, generating employment and strengthening industrial value chains across the State.

Uttar Pradesh possesses one of the largest industrial land banks in the country, administered through Industrial Development Authorities such as Uttar Pradesh State Industrial Development Authority (UPSIDA), New Okhla Industrial Development Authority (NOIDA), Greater Noida Industrial Development Authority (GNIDA), Yamuna Expressway Industrial Development Authority (YEIDA) and others. However, despite the availability of industrial land, on-ground industrial operationalisation remains limited, particularly for Micro, Small and Medium Enterprises (MSMEs), which constitute the majority of operational industrial units in the State.

A recent physical survey conducted by the Industries Department in Industrial Development Authority areas highlights the structural nature of this challenge. The survey indicates that nearly 75% of operational units function on plots below 1,200 sq.m (with a median plot size of 600 sq.m) and typically employ fewer than 27 workers, clearly establishing that the State's industrial ecosystem is predominantly MSME-driven and highly sensitive to upfront capital expenditure.

At present, industrial development in Uttar Pradesh largely follows a "Lease and Build" model, under which an entrepreneur must first lease industrial land and then independently undertake construction of factory buildings and internal infrastructure. This model entails:

- High upfront capital expenditure on land and building development.
- Additional costs on internal infrastructure such as roads, drainage, boundary walls, STP/ETP, and firefighting systems; and
- Long gestation periods of 18-36 months before commencement of production.

For MSMEs, a large portion of initial investment is tied up in land and civil construction, leaving inadequate working capital for machinery procurement, technology upgrades, quality certification and skilled manpower. This results in cash-flow stress, difficulty in securing finance for civil works and delays in project commissioning.

In many cases, allottees are unable to proceed with construction after land allotment, as a significant share of available capital is absorbed by land costs, leaving limited resources

for building development and working capital. This leads to under-utilisation of industrial land, delayed operationalisation and postponement of employment generation.

High industrial land costs further compound this challenge. The State's average industrial land rates are significantly higher than those in several peer industrialised States, increasing the entry barrier for new investors, particularly MSMEs. Once land is leased, enterprises must still independently develop factory buildings and utilities, resulting in fragmented infrastructure access and prolonged timelines.

Several industrialised States have addressed similar challenges by transitioning from a "Lease and Build" approach to a "Rent and Operate" model, under which ready-built, plug-and-play industrial sheds with essential utilities are provided to enterprises. Such models have demonstrated the ability to significantly reduce lead times, improve conversion of allotments into operational units, and enhance land utilisation.

Despite possessing a large industrial land bank, Uttar Pradesh currently has limited plug-and-play built-up industrial infrastructure, constraining the ability of sectors such as electronics, defence manufacturing, EV components, textiles, food processing, logistics and light engineering to commence production rapidly.

In this context, there is a clear need to introduce a Plug-and-Play Industrial Sheds Policy under a Design-Build-Finance-Operate-Transfer (DBFOT) Public-Private Partnership (PPP) framework, wherein the State retains land ownership while private developers design, finance, construct, operate and maintain ready-built industrial infrastructure. Such a structured intervention is essential to reduce upfront capital burden on industries, accelerate commissioning, improve utilisation of industrial land, and support the State's objective of achieving a USD 1 Trillion GSDP.

2. OBJECTIVES AND KEY BENEFITS OF THE POLICY

2.1. OBJECTIVES

The proposed Plug-and-Play Industrial Sheds Policy seeks to address the structural constraints currently limiting industrial operationalisation in Uttar Pradesh, particularly for MSMEs. The main objectives of the Scheme are to:

- **To reduce the upfront cost for industries**, especially MSMEs, by removing the need to buy land and construct factory buildings on their own.
- **To enable faster start of production**, by providing ready-built industrial sheds with essential utilities, so that units can begin operations quickly.
- **To improve the use of industrial land**, by converting vacant and under-utilised plots into active and productive industrial assets and reducing speculative holding.
- **To generate employment at a faster pace**, by shortening the time required to make industrial units operational across different districts of the State.
- **To attract private investment for industrial infrastructure**, so that new facilities are created without putting financial burden on the State Government.
- **To strengthen the competitiveness of Uttar Pradesh**, by offering plug-and-play industrial infrastructure comparable to other leading industrial States.

2.2. KEY BENEFITS

The Plug-and-Play Industrial Sheds Policy addresses key structural constraints faced by industries, especially MSMEs, by reducing upfront costs, shortening time-to-production and improving availability of ready industrial infrastructure. The Policy is expected to accelerate industrialisation, improve land utilisation, generate employment and enhance Uttar Pradesh's competitiveness as an industrial destination.

2.2.1. BENEFITS FOR INDUSTRIAL ENTERPRISES

- **Lower Entry Barriers:** Removal of land purchase and factory construction reduces the upfront cost for industries, especially MSMEs.
- **Faster Start of Production:** Ready-built and pre-approved industrial sheds allow industries to start production much faster than the traditional "Lease and Build" model.
- **Integrated Infrastructure:** Assured availability of power, water, internal roads, drainage, waste management and digital connectivity reduces delays and operational risks.
- **Operational Flexibility:** Modular industrial units allow enterprises to expand or reduce operations as per business requirements.

2.2.2. BENEFITS FOR THE STATE AND INDUSTRIAL DEVELOPMENT AUTHORITIES

- **Better Use of Industrial Land:** Vacant and under-utilised land is converted into active industrial infrastructure, reducing speculative holding and increasing productive use of land.
- **Faster Employment Generation:** Early start of industrial units leads to quicker job creation and supports development of local supply chains.
- **Stable Revenue for IDAs:** Industrial Development Authorities earn revenue through upfront premium, fixed annual fees, and revenue share, without the need for budgetary support from the State Government.
- **Stronger Investment Environment:** Availability of plug-and-play industrial facilities improves Uttar Pradesh's attractiveness compared to other industrialised States.

2.2.3. BROADER ECONOMIC AND SOCIAL BENEFITS

- **MSME Growth and Formalisation:** Affordable and ready industrial infrastructure helps MSMEs expand operations and move towards formal business structures.
- **Balanced Regional Development:** The Scheme can be implemented across multiple districts, including relatively less-developed regions, supporting more balanced industrial growth.
- **Improved Ease of Doing Business:** Reduction in procedures and approvals increases investor confidence and improves the overall industrial ecosystem.

2.3. TARGET INDUSTRIES

Based on the industrial profile of the State and survey findings, the Scheme is primarily intended for Micro, Small and Medium Enterprises (MSMEs) and light-to-medium manufacturing units that require quick start of operations, low upfront investment, and ready-built industrial infrastructure.

2.3.1. TARGET SECTORS

The Scheme shall be applicable to a wide range of manufacturing and allied sectors. Industrial Development Authorities (IDAs) may prioritise sectors based on local demand and existing industrial clusters. The key target sectors include:

- Light engineering and fabrication
- Electrical and electronics manufacturing
- EV components and auto ancillaries
- Textiles, garments and apparel finishing
- Food processing and agro-based industries
- Plastics, packaging and consumer goods
- Defence, aerospace and ESDM-related manufacturing

In specialised industrial parks, IDAs may prescribe **sector-specific reservation of built-up area** (such as for defence, electronics, or EV manufacturing) to promote focused cluster development, in line with applicable State policies.

Limited allied and support facilities may also be permitted to support industrial activity, subject to prescribed caps and statutory approvals. These may include training facilities, testing laboratories, R&D centres, logistics support, and common industrial amenities.

3. DEFINITIONS

Detailed definitions shall be provided in the Scheme Guidelines and Concession Agreement.

- a. **“Authority” / “IDA”** The Industrial Development Authority constituted by the Government of Uttar Pradesh under the Uttar Pradesh Industrial Area Development Act, 1976.
- b. **“Plug-and-Play Industrial Sheds”** Ready-built industrial units with essential utilities and common infrastructure, made available to industries on a rental basis for quick commencement of operations.
- c. **“PPP–DBFOT Model”** A Public–Private Partnership model under which the private developer is responsible for **Design, Build, Finance, Operate and Transfer** of the project during the concession period.
- d. **“Concessionaire”** The private developer or Special Purpose Vehicle (SPV) selected through a competitive bidding process to develop, operate and maintain the project under the Concession Agreement.
- e. **“Concession Period”** The period during which the Concessionaire is granted rights to develop, operate and maintain the project, after which the assets are transferred back to the Authority.

- f. **“Project”** The development, operation, maintenance and transfer of Plug-and-Play Industrial Sheds and associated common facilities under the Scheme.
- g. **“Independent Engineer (IE)”** An independent technical expert appointed by the Authority to monitor project design, construction, milestones, and operational performance.
- h. **“Minimum Development Obligation (MDO)”** The minimum level of construction and infrastructure development that the Concessionaire is required to complete within specified timelines.
- i. **“Commercial Operation Date (COD)”** The date on which the project is certified by the Independent Engineer as complete and fit for occupation and operation.
- j. **“Gross Revenue”** Revenue earned by the Concessionaire from leasing and operation of the industrial sheds, excluding taxes, as defined in the Concession Agreement.
- k. **“Industrial Unit / User”** An enterprise that occupies and operates from the Plug-and-Play Industrial Sheds under a sub-lease arrangement with the Concessionaire.
- l. **“Performance Security”** means the financial security to be provided by the Concessionaire in favour of the concerned Industrial Development Authority to secure performance of its obligations under the Concession Agreement.

4. SCHEME OVERVIEW

4.1. PROJECT STRUCTURE AND CONCESSION MODEL

Under this model, the **Industrial Development Authority (IDA)** shall retain full ownership of land at all times, while a **competitively selected private developer (Concessionaire)** shall be responsible for **designing, financing, constructing, operating and maintaining** ready-built, plug-and-play industrial sheds and common infrastructure during the Concession Period.

- **Concession Period: 45 years**, inclusive of construction and operation. The Concession Period may be extended by a further period not exceeding 15 (fifteen) years, based on satisfactory performance of the Concessionaire and mutual agreement of the parties, with prior approval of the competent committee, constituted in accordance with the State’s Public–Private Partnership (PPP) governance framework, as notified from time to time.
- **Land Parcel Size:** Minimum 10 acres; preferred 15–20 acres for pilot projects to ensure economic viability,
- **Role of the Concessionaire:**
 - Design and construct modular, ready-to-use industrial sheds and common facilities.
 - Mobilise private capital for project financing.
 - Operate and maintain the industrial infrastructure during the concession period; and
 - Market and sub-lease industrial units to eligible enterprises.
- **Minimum Development Obligation:**
 - To ensure timely creation of industrial infrastructure and to prevent land hoarding, the Concession Agreement shall prescribe clear and time-bound

Minimum Development Obligations (MDOs) for the Concessionaire, including phase-wise development targets linked to Project Milestones.

- The MDOs shall typically include the following: **Phase-wise Development Targets:** Completion of around 50% of the planned built-up area within 2–3 years from the Appointed Date; and Completion of 100% of the committed built-up area within 3–5 years, as specified in the Concession Agreement.
 - The Concessionaire shall develop the Project in accordance with the Project Implementation Schedule as mentioned in Concession Agreement. In the event the Concessionaire fails to achieve any prescribed Project Milestone within 90 (ninety) days from the scheduled date, unless such delay is attributable to Force Majeure or reasons attributable to the Authority, the Concessionaire shall be liable to pay delay damages at the rate of 0.1% (zero point one percent) per day of the amount of Performance Security, for each day of delay beyond the permitted period, until the relevant milestone is achieved.
 - The recovery of such delay damages shall be without prejudice to the rights of the Authority under the Concession Agreement, including the right of termination in case of continued non-compliance.
- Provided that the concerned Industrial Development Authority may propose project-specific modification of the aforesaid timelines and penalty thresholds, based on project size, sectoral requirements, market conditions, or feasibility assessment, for consideration and approval by the competent committee, constituted in accordance with the State's Public–Private Partnership (PPP) governance framework, as notified and modified from time to time. Upon expiry or termination of the Concession Period, all project assets, including buildings, internal infrastructure and common facilities, shall revert to the Authority free of encumbrances, in a usable condition.
 - At no stage shall ownership of land be transferred to the Concessionaire; land shall remain vested with the Authority throughout the Concession Period.
 - The Concession Agreement shall be executed in accordance with the provisions of the Indian Stamp Act, 1899 and the Registration Act, 1908, as applicable.

4.2. FINANCIAL TERMS AND DEVELOPER PAYMENTS

The financial structure of the Plug-and-Play Industrial Sheds Policy is designed to ensure fiscal prudence, long-term revenue for the State and zero financial liability on the Government, while attracting credible private investment.

4.2.1. KEY FINANCIAL PRINCIPLES

- No budgetary support from the State Government
- No annuity, subsidy or viability gap funding (VGF)
- No Government guarantee or contingent liability
- Entire project risk to be borne by the private developer

4.2.2. PAYMENTS BY THE CONCESSIONAIRE TO THE AUTHORITY

The Concessionaire shall make the following payments to the Industrial Development Authority (IDA):

A) ONE-TIME UPFRONT LAND PREMIUM

- A one-time payment made at the time of signing of the Concession Agreement.
- Typically, 5%–10% of the prevailing industrial land value, as determined by the concerned IDA.
- This amount represents the minimum consideration for utilisation of public land.
- Collected upfront and not routed through the Escrow Account.

B) FIXED ANNUAL FEE (FAF)

- An annual concession fee payable by the Concessionaire for the entire concession period.
- Typically, 2% or more of the prevailing land value, payable annually in advance.
- The FAF shall include a pre-defined escalation mechanism, to protect the long-term revenue interests of the Authority.
- This ensures a stable and predictable revenue stream for the IDA, irrespective of occupancy levels.

C) REVENUE SHARE (COMPETITIVE BID AWARD PARAMETER)

- The IDA shall specify a Base Revenue Share (for example, 5% of Gross Revenue).
- Bidders shall quote an additional percentage over and above the base rate.
- The bidder offering the highest revenue share (H1) shall be selected.
- Revenue Share shall be paid periodically through the Escrow Account, ensuring transparency.

4.2.3. REVENUE STREAMS OF THE CONCESSIONAIRE

- The Concessionaire shall be permitted to earn revenue from:
- Rental income from sub-leasing of industrial sheds
- Maintenance and common area service charges
- Approved utility and service charges
- Other permitted ancillary facilities, as defined in the Concession Agreement
- All such revenues shall be clearly defined in concession agreement and auditable

4.2.4. FINANCIAL SAFEGUARDS AND OVERSIGHT

- To protect public interest and ensure financial transparency:
- All major project revenues shall flow through a dedicated Escrow Account.
- Payments to the Authority (FAF and Revenue Share) shall have priority in the Escrow waterfall.
- The project shall be subject to statutory audit, authority-appointed additional audit, and special audit, where required.
- Independent Engineer (IE) shall certify construction milestones and operational compliance, linked to financial obligations.
- The Concessionaire shall furnish Performance Security in favour of the concerned Industrial Development Authority to secure performance of its obligations under the

Concession Agreement, which shall generally be equivalent to 5% (five percent) of the Total Project Cost; provided that the concerned Industrial Development Authority may propose project-specific modification of the aforesaid threshold, based on project size, sectoral requirements, market conditions, or feasibility assessment, for consideration and approval by the competent committee under the State's Public–Private Partnership (PPP) governance framework, as notified and modified from time to time.

5. ELIGIBILITY AND BIDDING CRITERIA

The selection of the Concessionaire shall be undertaken through a transparent and competitive bidding process in accordance with applicable procurement rules.

5.1. MINIMUM ELIGIBILITY REQUIREMENTS

5.1.1. EXPERIENCE REQUIREMENTS

The Request for Proposal (RFP) shall prescribe appropriate eligibility criteria to ensure selection of technically competent and financially sound developers. Such criteria may include:

- Relevant experience in development, construction, operation and leasing of industrial, commercial or infrastructure projects;
- Demonstrated track record in delivery of comparable built-up area projects;
- Adequate financial capacity in terms of turnover and net worth and;

Such other qualifications as may be considered appropriate by the concerned Industrial Development Authority (IDA).

5.1.2. CONSORTIUM CONDITIONS

Consortium participation may be permitted, subject to such conditions relating to:

- Maximum consortium members permitted,
- Minimum equity participation of Lead Member,
- Restriction on change in ownership of Lead Member during construction period without prior IDA approval

5.2. BID PARAMETER AND EVALUATION

- Single financial bid parameter: Highest Revenue Share (%) offered over the Base Revenue Share specified in the RFP
- Bidder offering the highest Revenue Share (H1) shall be selected

5.3. ANCHOR TENANT REQUIREMENT

- To ensure early occupancy and reduce demand risk, the RFP may prescribe a minimum pre-leasing or anchor tenant commitment requirement. Bidders may be required to demonstrate firm interest from prospective industrial users, through Letters of Intent, within timelines specified in the RFP.
- Failure to meet this requirement shall constitute Concessionaire Default, may attract contractual remedies including but not limited to levy of financial penalties, forfeiture of performance security, invocation of guarantees, suspension of project rights, and termination, in accordance with the Concession Agreement.

6. ROLES AND RESPONSIBILITIES

6.1. RESPONSIBILITIES OF THE CONCESSIONAIRE

- Arranging project finance and achieving financial close
- Designing and constructing plug-and-play industrial sheds
- Developing internal infrastructure and utilities
- Marketing and leasing of industrial units
- Operation and maintenance of facilities
- Compliance with labour, safety, and environmental laws
- Transfer of assets to the Authority at the end of the concession period

6.2. RESPONSIBILITIES OF THE AUTHORITY

- Providing encumbrance-free land
- Ensuring land-use and zoning approvals
- Facilitating external infrastructure (roads, power, water)
- Enabling statutory approvals through a single-window system
- Appointing the Independent Engineer
- Monitoring performance and escrow compliance

7. GOVERNANCE, OVERSIGHT AND SAFEGUARDS

7.1. INDEPENDENT ENGINEER

- An **Independent Engineer (IE)** shall be appointed by the Authority, IE will :.
 - Review designs and DPRs
 - Certify construction milestones and Commercial Operation Date (COD)
 - Monitor construction quality, safety, and operations
 - Verify compliance with Minimum Development Obligations (MDOs)

7.2. ESCROW MECHANISM

- All project revenues shall flow through a dedicated Escrow Account.

7.3. AUDIT FRAMEWORK

- **Statutory Audit:** Annual audit by the Concessionaire's statutory auditors
- **Additional Audit:** Authority may appoint independent auditors to verify revenue and escrow
- **Special Audit:** To be conducted in case of material discrepancies, at the cost of the Concessionaire

8. RISK ALLOCATION AND TERMINATION

8.1. RISK ALLOCATION

- **Construction Risk:** All risks related to design, construction, cost overruns and delays shall be borne entirely by the Concessionaire.
- **Financing Risk:** The responsibility for arranging equity and debt financing, achieving financial close, and servicing project debt shall rest solely with the Concessionaire.
- **Demand and Occupancy Risk:** Risk related to leasing, occupancy levels and revenue generation shall be borne by the Concessionaire. The Authority shall not provide any revenue guarantee.
- **Operations and Maintenance Risk:** The Concessionaire shall be responsible for operation, maintenance and upkeep of the industrial sheds and common infrastructure throughout the concession period.
- **Land and Title Risk:** Land ownership and title shall remain with the Authority. The Authority shall provide encumbrance-free land.
- **Regulatory and Change-in-Law Risk:** Change in law shall be addressed as per provisions of the Concession Agreement, following standard PPP principles.

8.2. TERMINATION AND ASSET PROTECTION

- **Concessionaire Default:** In case of failure to meet development obligations, financial defaults, or material breach of the Concession Agreement, the Authority shall have the right to terminate the concession.
- **Authority Default:** In case of termination due to Authority default, compensation shall be payable as per the Concession Agreement, based on verified investments.
- **Force Majeure:** Natural and political force majeure events shall be dealt with as per standard PPP provisions.
- **Asset Reversion:** Upon expiry or termination of the concession, all project assets, including buildings, infrastructure and utilities, shall revert to the Authority free of encumbrances and in usable condition, ensuring full protection of public assets.

9. WAY FORWARD AND INDICATIVE TIMELINES

To operationalise the Plug-and-Play Industrial Sheds Policy in a structured and time-bound manner, a phased implementation approach is proposed, beginning with pilot projects.

- i. **Policy Approval and Notification (30–45 days)** Approval of the Scheme by the Hon'ble Cabinet and issuance of Scheme Guidelines / Government Order by the Department of Infrastructure & Industrial Development.
- ii. **Identification of Pilot Sites and Feasibility (60–90 days)** Concerned Industrial Development Authorities (IDAs) to identify 3–4 pilot sites and undertake preliminary feasibility assessment, including land readiness and infrastructure availability.
- iii. **Bid Preparation and Developer Selection (6–9 months)** Preparation and approval of bid documents, followed by competitive bidding and selection of private developers.
- iv. **Concession Agreement and Financial Close (up to 12 months)** Signing of Concession Agreement, fulfilment of conditions precedent by both parties, and achievement of financial close.
- v. **Construction and Operationalisation (24–36 months)** Phase-wise construction of plug-and-play industrial sheds and commencement of leasing and operations upon achievement of development milestones.
- vi. **Scale-Up** Based on the performance of pilot projects, the Scheme may be extended to additional industrial estates with approval of the competent authority.
- vii. **Project-specific parameters**, including development timelines, penalty thresholds, financial bid structure, and other implementation-related provisions, may be calibrated at the time of **Request for Proposal (RFP)** preparation, based on feasibility assessment, with approval of the competent committee under the State's Public-Private Partnership (PPP) governance framework, as notified and modified from time to time.

10. CONCLUSION

The Plug-and-Play Industrial Sheds Scheme offers a practical, low-risk and high-impact approach to accelerate industrial growth in Uttar Pradesh. The Scheme directly supports MSMEs, enables faster employment generation, improves utilisation of industrial land, and strengthens the State's competitiveness. Importantly, it achieves these outcomes without creating any fiscal burden or contingent liability for the State Government.

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