



सत्यमेव जयते

इस्पात मंत्रालय  
MINISTRY OF  
**STEEL**

## **Draft Framework Policy - Development of Steel Clusters in India**

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## Table of Contents

S. No.	Contents	Page No.
1	Background	3
2	Vision and Mission of the Policy	8
3	Scope of the Policy	9
4	Concept of Steel Cluster(s)	9
4.1	Definition of the Steel Cluster	9
4.2	Components of the Steel Cluster	9
4.3	Types of Steel Cluster	11
5	Benefits of the Steel Cluster	12
6	Operating Model for development of Steel Clusters (s)	14
6.1	Application for the development of the cluster	14
6.2	Eligibility criteria for submitting application	14
6.3	Steps in development of the cluster	15
6.4	Institutional Framework	15
6.5	Role of Ministry of Steel	17
6.6	Role of the State Government	18
6.7	Role of the Task Force	18
6.8	Role of the Working Group	19
6.9	Role of the SPV	19
6.10	Role of ISPs	19
7	Power to amend the policy	20
8	Annexures	21
8.1	Annexure 1: Role of the State Government	21
8.2	Annexure 2: Role of the Task Force	22
8.3	Annexure 3: Role of the Working Group	23
8.4	Annexure 2: Role of the SPV	25
8.5	Annexure 5: Design Guidelines for Ancillary & downstream cluster	27
8.6	Annexure 6: Design Guidelines for Value-Added steel cluster	31
8.7	Annexure 7: Format for application	35
8.8	Annexure 8: Composition of the Task Force	36
8.9	Annexure 9: Composition of the Working Group	37
9	Glossary	38

## **1 Background:**

- 1.1** The Government of India has envisioned the Indian economy to grow to \$5 trillion by 2024-25. Historically, there has been a strong correlation between GDP growth and steel consumption especially in a 'nation building' phase, showcasing the critical role that the steel industry plays in economic growth. Countries such as China and Korea have witnessed a 4-6x increase in their steel consumption in tandem with their accelerated GDP growth.
- 1.2** The Government's planned outlay of investments worth ₹100 lakh crores in infrastructure by 2024-25 will be a major driver of growth in steel consumption. The infrastructure and construction sectors are the primary drivers of steel consumption in the country, accounting for ~60% of the total consumption. In line with the growth in GDP and infrastructure, India's steel consumption is expected to increase from 99 MTPA currently to ~160 MTPA by 2024-25. It is imperative for India to fulfill this consumption through domestic steel industry, as it would contribute to economic growth and generate employment. Commensurate increase in the domestic steel capacity has been envisaged in National Steel Policy 2017 to meet the increased steel consumption.
- 1.3** India enjoys a competitive advantage in steel production due to domestic availability of high grade iron ore, robust domestic demand and a young workforce. However, development of the steel industry will require further support in terms of raw material linkage, suitable logistics connectivity and lower project risk. Hence, in order to resolve the above challenges, it is imperative for India to build an effective mechanism, which will be the key to facilitate increase in capacity. .
- 1.4** The Eastern region of the country has significant potential to lead the steel capacity addition in India, with availability of all the requisite resources needed by the industry to achieve the envisaged capacity. The region is rich in mineral resources with over

80% of the country's iron ore reserves and significant resources of coal, chromite, nickel, and manganese. In addition to raw material availability, the region also has access to critical logistics infrastructure, e.g. ~25% of running railway capacity, presence of multiple ports such as Paradip, Haldia, Vizag and significant share of existing and upcoming inland waterways. The higher cost of inbound logistics vis-à-vis the outbound logistics (cost of inbound logistics being approximately 2.5x of the outbound logistics) creates an even stronger case for the steel industry to set up their manufacturing facilities near the supply of raw material.

**1.5** Globally, steel manufacturing hubs have been instrumental in development of the steel industry in the respective countries such as Gwangyang Bay in Korea, Guangdong Province in China and Ruhr region in Germany. These hubs serve as integrated zones with a range of facilities and advantages that enable swift capacity addition and improve the cost competitiveness of the industry. On similar lines, the Ministry is proposing creation of '**Integrated Steel Hubs**' based on the principle of availability of raw material, logistics support and/or proximity to demand centres. It will enable capacity expansion through provision of a cohesive ecosystem, with presence of effective forward and backward linkages, single-window mechanism for swift approval of clearances and best-in-class logistics infrastructure.

**1.6** The concept of the Integrated Steel Hub has been designed to include 6 components:

**1.6.1 Capacity expansion:** The crude steel capacity expansion will primarily be done through greenfield and brownfield projects by the Integrated Steel Plants (ISPs). In order to reduce project risk, the government is working with relevant stakeholders to make encumbrance free land available (e.g. land parcels with steel CPSEs or State Government), provide long term raw material linkage at competitive prices and facilitate environmental and forest clearances.

1.6.2 **Setup of clusters:** A Cluster will be a defined region with co-located units across the steel value chain along with the provision of basic infrastructure facilities and other relevant value added services. The clusters will primarily include units from secondary steel sector and ancillary industry. The focus will be on 2 types of clusters: one around the ISPs and other near the demand centres. The cluster around ISPs will be called '**Ancillary and Downstream cluster**'. They will primarily have ISP(s) as their anchor plant(s), with focus on ancillary units and may also entail downstream units. It will help create an integrated ecosystem for the industry with enhanced linkage for both the ISPs as well as the tenant units. In addition, it will facilitate growth of SME units. On the other hand, '**Value-Added steel clusters**' are likely to be set up near demand centre(s). It will enable capacity expansion of units producing carbon steel, alloy (including stainless steel) as well as other high grade and special steel by improving their cost competitiveness through effective raw material linkages and other interventions such as reduced cost of power.

1.6.3 **Capital goods and spares:** Capital Goods equipment forms a sizeable share of the expenditure of the steel plants, with the plants making 55-60% of their total investment on the equipment. However, 25-30% of capital goods equipment is currently being imported from various foreign manufacturers. For an increase in cumulative Indian steel capacity to 300 MTPA, there would be a significant increase in investment in capital goods. This creates a significant opportunity for domestic manufacturing of capital goods, with multifold benefits for various stakeholders including captive demand for manufacturing units, better service to the steel plants and reduction of imports.

1.6.4 **Efficient logistics infrastructure:** An increase in the steel capacity would lead to ~4x increase in the movement of material- including transportation of iron ore and coking coal from mines or ports to the plants and movement of the finished goods and processed by-products from the plants to demand centres. This will require effective connectivity across mines, ports, plants and demand centres.

Hence, in order to produce and evacuate, the hub will require expansion of rail lines and roadways, enhancement of infrastructure on select inland waterways, set-up of slurry pipelines for raw material supply and enhancement of efficiency and capacity of ports.

**1.6.5 Raw Material security:** Resource security at competitive prices is a critical success factor for the steel industry in India. Increased capacity would necessitate commensurate increase in the availability of raw material, especially iron ore and coking coal. In iron ore, the key focus areas would include maximizing the utilization of available reserves, ensuring sufficiency of proven reserves and improving the levels of prospecting and evaluation. One of the key initiatives for increasing the productivity includes deployment of digital technology in mining. Another key initiative is to increase the availability of indigenous coal (for example, promotion of coal washeries) and diversify international portfolio for sourcing coking coal.

**1.6.6 Availability of skilled labour:** In order to effectively facilitate increased steel production, creation of skill development centres would be required to ensure supply of quality skilled labour for both the plants and their ancillary units. In addition, a concerted effort should be taken to upgrade both the existing and new skilling centres through appropriate mechanism such as implementation of 'Dual Education system', which focuses on both apprenticeship and vocational training simultaneously.

**1.7** While the other components will be addressed through relevant interventions and/or policies (as required), this policy focuses on setting up of steel clusters (which may or may not be a part of an 'Integrated Steel Hub'). The clusters will have two

archetypes- **“Ancillary and Downstream cluster”** and **“Value-Added steel clusters”**.

- 1.8** Creation of these two archetypes of clusters will provide multiple benefits. Increased production of carbon steel, alloy (including stainless steel) and other high grade and special steel will facilitate higher value addition of steel in India. On the other hand, encouraging growth of ancillary units will foster development of SME units as well as further enable growth of the anchor primary steel unit(s). The policy will overall facilitate provision of specific benefits in line with the current issues faced by these units along with providing scale benefits through shared infrastructure facilities to spur their growth.
- 1.9** Currently, there are significant challenges being faced by both value-added steel units and ancillary and downstream units. Value-added steel units face competition today in the domestic market from imports. High cost of power has emerged as the key challenge for these producers. In addition, their growth is also hampered by lack of testing facilities and limited access to funding. For the steel downstream units, lack of access to raw material has emerged as the key challenge. In addition to this, support in marketing outreach and access to better technology as well as funding would provide necessary support to ensure strong and sustainable growth of these players.
- 1.10** The Framework Policy for Steel Clusters is an endeavor by the Ministry to help resolve these existing challenges of the ancillary, downstream and value-added steel units and unlock their growth potential. This will lead to growth of the steel sector (especially SMEs), drive focused investments and contribute significantly to

socio-economic development through creation of job opportunities, thereby uplifting the standard of living of the people.

## **2 Vision and Mission of the policy**

**2.1 Vision:** To create a model ecosystem for steel manufacturing through world class steel clusters to promote self-sufficiency, drive cost competitiveness and generate employment opportunities.

### **2.2 Mission:**

**2.2.1 Drive Make in India initiative through promotion of domestic manufacturing industry, hence facilitating import substitution:**

India imported steel worth ₹ 75,000 crore in FY19, including finished steel as well as steel intensive items. Items such as electrical sheets, pipes and tubes form a significant share of the total imports. The policy will aim to enable units to indigenously manufacture such products by improving their competitiveness through appropriate interventions.

**2.2.2 Contribute to GDP growth and generate employment across the value chain:**

The steel industry, in addition to generating direct employment also drives employment indirectly across the supply chain as well as end use industries. Smaller size players, which the policy would target, such as ancillary units, would be even more manpower-intensive, hence generating significant employment opportunities.



### 2.2.3 **Drive growth of SME steel players by improving their cost competitiveness and quality of their finished products**

The concept of the steel cluster has been specifically designed to bring scale benefits through common infrastructure and facilities. This will hence, improve overall cost competitiveness. In addition, it will enable access to technology needed as well as ensure better quality products of the units through facilities such as testing labs.

### **3 Scope of the policy:**

This policy targets industrial clusters/locations with high growth potential, which require strategic interventions by way of providing world-class infrastructure and other relevant support services. The policy will cover development of both new and existing clusters.

### **4 Concept of Steel Cluster(s):**

**4.1** It is a defined area with multiple units across the steel value chain located in proximity to each other along with provision of evacuation infrastructure, physical infrastructure and other common facilities. It will have a processing area where the manufacturing facilities along with evacuation and other support infrastructure will be located.

**4.2 Components of steel clusters:** The steel clusters may have the following secondary steel and ancillary units and other enabling facilities:

- **Steel producing unit(s):** These units would be the main steel plant(s) that produce steel using iron ore, coal or sponge iron/DRI, scrap, depending upon the route of production. It can be one Integrated Steel Plant or a combination

of multiple steel producing plants. These units can produce carbon, alloy and/or stainless steel through appropriate routes.

- **Ancillary units:** These units would be providing products or services which will be used as inputs for manufacturing of steel or other steel related products. These units can include refractories, spares and consumables, gas plants, repair shops among others.
- **Capital goods:** Capital goods manufacturers and spares providers.
- **Downstream units:** These units would be involved in further manufacturing of products and processing of finished steel. These units can include rolling and finishing units (such as GP/GC, pipes and tubes, fabrication units), end-usage industries (such as agricultural implements, building material) and/or by-product processing units (such as cement, blast furnace slag processing units).
- **Evacuation infrastructure:** The cluster may be equipped with access to adequate rail and road connectivity to fulfil the requirement of the units. Utilization of other modes of logistics such as inland waterways, slurry pipeline, gas pipeline and/or expansion of port capacity may be explored. Relevant interventions for the same may be facilitated by the Ministry of Steel through liaising with other relevant Ministries.
- **Physical infrastructure:** Appropriate physical infrastructure will be provided on a case-by-case basis.
- **Common facilities:** The cluster may be equipped with common facilities that will act as enablers for production by aforementioned units. An indicative list of these facilities include (specific set ups to be decided on a case- by- case basis):

- Testing facility for functionalities such as chemical composition analyses, mechanical properties analyses to fulfil objectives such as adherence to industry standards, accuracy of desired metallurgical composition (e.g. XRF testing) , assessment of properties of the metal such as hardness, tensile strength, impact strength, bending and re-bending ability
- Skill development Centre for providing training for areas such as operating electric arc furnace, die making, forging, special welding courses for special alloy steel, conditioning and monitoring, machine technician
- Warehousing unit for stocking of products as well as spares
- Group captive power plant
- Business Development Centre
- Scrap Processing Centre
- Design/Technical Consultancy Centre
- R&D centre

**4.3 Types of Steel Clusters:** The policy will focus on development of 2 types of clusters:

- **Ancillary and Downstream clusters:**

These clusters will primarily focus on ancillary units (e.g.: refractories, spares) and other processing and downstream units (e.g.: fabrication units, pipes and tubes) and will be set up around ISP(s) as the anchor plant(s).The design guidelines for the same has been laid down in Annexure 5.

- **Value-Added steel clusters:**

These clusters will primarily be set up near a demand centre and will encourage production of alloy (including stainless), carbon steel as well as other high grade

or special steel. The design guidelines for the same has been laid down in Annexure 6.

Though the focus of the policy will be on the development of the above mentioned types, it may also cover other type of clusters of steel, which will be decided on a case-by-case basis.

## **5 Benefits of the Steel Cluster:**

**5.1** The clusters will be based on a 'plug-and-play' model wherein the units will be provided with developed physical and evacuation infrastructure, initial clearances and requisite facilities, thus helping to improve their cost competitiveness. The main benefits are discussed below:

- a. Logistics:** Logistics connectivity is one of the crucial factors for enabling steel production and processing. The policy aims to enable setting up of infrastructure with capacity commensurate to planned industry expansion. The aim will be to modernize and enhance the existing infrastructure as well as deploy new modes of transportation. Given railways and roadways are primary existing modes of transportation, the aim will be to enhance their capacity as well as modernize existing infrastructure. In addition, utilization of other modes such as inland waterways and slurry pipelines may be encouraged. Simultaneously, it is also imperative to increase port capacity. The specific interventions for each cluster would be identified and requisite action may be facilitated/expedited through liaising with relevant ministries such as Ministry of Railways, Ministry of Road Transport and Highways, Ministry of Shipping
- b. Power:** Power is a critical input for the production of the steel, where it typically forms 10-15% of the total cost of production for the industry. Hence, in order to setup a model cluster, it is imperative that it is facilitated with reliable supply of power, consistent quality and rationalized tariffs. The main focus will be to provide

adequate infrastructure for power connectivity with dedicated sub-stations, ensuring supply and quality. Interventions such as usage of stranded Integrated Power Plants for captive power generation, providing deemed distribution licensee status to the governing body of the cluster may be explored to rationalize the rates. Further reduction of rates may be provided by the State Government through appropriate interventions.

- c. Developed land and clearances:** Encumbrance-free availability of developed land, single-window for application for clearances and approvals of the same within specified timeframe will greatly reduce project risk of the units, and hence improve ease of doing business. The cluster shall aim to provide the same through an appropriate governing body with relevant escalation mechanisms to the State and Central Governments.
- d. Raw Material Securitization:** Co-location of the anchor plant(s) with tenant units may help promote raw material security for the downstream units due to factor such as reduced logistics cost and scope to improve serviceability.
- e. Enhancement of demand certainty:** Factors such as reduced logistics cost and scope to improve serviceability may also enhance demand certainty of cluster tenants such as ancillary units

## 6 Operating model for development of Steel Cluster(s):

This policy will be applicable to the Steel Clusters that will be developed using financial and/or administrative assistance offered as a part of this Policy.

**6.1** Creation of a new cluster or revitalization of an existing cluster under this policy will require submission of application for an in-principle approval from the Ministry of Steel. An indicative format of the application is specified in Annexure 7.

**6.2 Eligibility criteria:** The application can be initiated by any of the following entities:

- **Land Owning Entity** such as state government, centre or state public sector enterprise, state industrial development organizations or any private player. Such authority should have possession of the total area of land proposed for the cluster at the time of submitting the application and ensure that such land is encumbrance-free.

**A non-land owning entity** can also propose setting up of the cluster if it has pre-identified unencumbered parcel of land and has written consent from the land owning authority to use the same for the creation of the cluster. The entity should have consent for the total area of land proposed for the cluster while submitting the application. The entity should also ensure that the land owning authority have access to the entire land required with no encumbrance.

- An SPV/association managing an existing steel cluster can also apply to register under the ambit of this Policy.
- Ministry of Steel may also propose locations for setting up of new or revitalization of existing clusters.

### 6.3 Steps in development of the cluster:

- Entities mentioned in Section 6.2 will make an application for creation of new or revitalization of an existing cluster for an in-principle approval from the Ministry of Steel. The application will be examined basis criteria (including but not limited to) such as employment of people (direct or indirect), value of output, comparative advantages, past track record of industry/association, implementation schedule.
- Post the in-principle approval, Ministry would create a two-tiered structure comprising of a Working Group and Task Force. The Working Group will be responsible for the creation of the Detailed Cluster Action Plan, which will then be approved by the Task Force.
- Post creation of the Detailed Cluster Action Plan, the Working Group would undertake master planning and designing of the Steel Cluster and creation of a Detailed Project Report. This would be done through respective agency/consultant that has adequate expertise in the designing/setting up of such zones.
- Post creation of the Detailed Project Report, a Special Purpose Vehicle (SPV) would be created for set-up and operationalization of the cluster. The Working Group will support the creation or revitalization of the SPV.

### 6.4 Institutional Framework:

- 6.4.1 Ministry of Steel will be the nodal Ministry of the Government of India for the steel clusters.
- 6.4.2 **The Task Force** would consist of representatives from the Ministry of Steel, concerned central ministries, State government as well as stakeholders from private institutions or CPSEs/ state PSUs, as applicable. An indicative

composition of the Task Force is specified in Annexure 8. It will be responsible for review and approval of the detailed cluster action plan. This task force will be chaired by the Secretary, Ministry of Steel and co-chaired by the Chief Secretary of the respective state.

6.4.3 **The Working Group** would consist of representatives from the Ministry of Steel, State government, land owning authorities, power and water departments, stakeholders from private institutions or CPSEs/ state PSUs as applicable. An indicative composition of the Working Group is specified in Annexure 9. The Working Group will be responsible for creating the detailed cluster action plan. An official (not below the rank of the Joint Secretary) from the Ministry of Steel will be selected as the nodal officer of the Group. The Working Group may choose to hire an external agency/consultant, called Project Management Agency, for on-ground diagnostic study and support to design and set-up of the proposed cluster.

6.4.4 **Special Purpose Vehicle(s)** would be a separate legal entity, responsible for on-ground setup and operationalization of the cluster. It may comprise of land owning entities such as State Government, CPSEs/ State-owned PSUs, private sector companies, funding entities such as Public/ Private sector companies (including ISPs), financial institutions, infrastructure funds and other entities as required.

6.4.4.1 In case of revitalization of an existing cluster, the existing SPV may continue to operate the cluster. The SPV, post in-principle approval of the application, will fall under the ambit of this policy and will be responsible for discharging roles and responsibilities as specified in Section 6.9. In addition, the shareholding structure of the SPV may be revised basis considerations such as infusion of capital



## 6.5 Role of Ministry of Steel:

6.5.1 **In-principle approval:** Ministry of Steel will provide an in-principle approval of the application for creation of new or revitalization of an existing cluster.

6.5.2 **Financial support:** The Ministry may extend or facilitate financial support for the cluster in the following ways:

- The Ministry will bear the cost of creation of Detailed Project Report (DPR).
- The Ministry may also bear the cost of the Project Management Agency (specified in Section 6.4.3), to support the set-up of the cluster, if hired by the Working Group.
- The Ministry of Steel may facilitate funding through utilization of existing central and/ or state schemes, policies and funds, as relevant.
- In case of challenges faced in availing the corpus under existing schemes, the Ministry may formulate its own scheme to provide budgetary support.

6.5.3 **Creation of Task Force:** Ministry of Steel, post in-principle approval will create Task Force with representatives from relevant Central Ministries, state departments and other private and public entities.

6.5.4 **Creation of Working Group:** Ministry of Steel, post in-principle approval will create Working Group with representatives from respective state departments, land owning authorities and other relevant private and public entities.

6.5.5 **Support in outreach:** The Ministry of Steel may provide support in outreach to potential tenants for the cluster.

6.5.6 **Monitoring of the SPV:** The Ministry of Steel will monitor the SPV on a semi-annual basis, post setup of the cluster. A representative of the Ministry of Steel would be a part of the Board of the SPV. The metrics against which the SPV will

be monitored will be specified by the Working Group during the creation of the SPV.

## **6.6 Role of the State Government:**

The role of the State Government is envisaged in the following areas:

- Submit application for creation of new or revitalization of existing cluster
- Facilitate clearances
- Support provision of utility linkages and other infrastructure
- Facilitate provision of benefits under existing State policies

Detailed role of the State Government has been provided in Annexure 1.

## **6.7 Role of the Task force**

- Review and approval of the detailed cluster action plan
- Facilitate setup of evacuation infrastructure through liaising with relevant Central Ministries
- Facilitate transfer/lease of land from the land-owning authority to the SPV
- Support the SPV for carrying out specific activities concerning the State Government and/or Central Ministries

Detailed role of the Task Force has been provided in Annexure 2.

## **6.8 Role of the Working Group**

- Create Detailed Cluster Action Plan laying down types of units, area requirement, list of physical infrastructure and common facilities as well as available existing land banks
- Undertake creation of Detailed Project Report (DPR) through an external agency/consultant

- Identify list of existing Central/State schemes and policies which can be utilized for funding of the cluster
- Create list of activities for cluster setup
- Define key elements for the SPV such as organization structure, key metrics for reporting of SPV
- Monitor operations of the SPV during the setup of the cluster
- Facilitate clearances to the units in case the SPV faces any issues for the same

Detailed role of the Working Group has been provided in Annexure 3.

#### **6.9 Role of the SPV:**

- Provide the necessary infrastructure and common facilities within the cluster either directly or through a Developer
- Lease land parcels to tenant units
- Facilitate clearances
- Manage operations of the cluster

Detailed role of the SPV has been provided in Annexure 4.

#### **6.10 Role of the ISP:**

A collaborative and supportive eco-system is the key to development of any industry. While the ancillary and downstream units in the cluster will help provide support to the primary steel players, it is equally important for an ISP to lend their know-how in order to boost the growth of the smaller units. An indicative role for the ISPs has been outlined below:

- Help establish backward and forward linkages, enabled by effective mechanisms to facilitate demand certainty and/or cost competitiveness
- Hold periodic interactions with the tenant units to bridge information asymmetry with respect to topics of relevance to the tenants such as planned technology upgradation in anchor plant(s)
- Provide technical advisory and/or access to facilities on topics of relevance such as operations efficiency enhancement, quality improvement

## **7 Power to amend the policy:**

**7.1** Notwithstanding anything contained in the foregoing paragraphs, Ministry of Steel, with the approval of competent authority, may review and amend various aspects of this policy time to time, depending upon considerations such as experience gained during implementation, market dynamics, end user interest, feedback from stakeholders

## **8 Annexures:**

### **8.1 Annexure 1: Role of State Government:**

**8.1.1 Submit application for development of cluster:** The State Government may submit an application for a new cluster or revitalization of an existing cluster.

**8.1.2 Facilitate clearances:** Representative(s) of the State Government will be a part of the Task Force, Working Group as well as the Board of the SPV, through which it will coordinate provision of the utility linkages and facilitate relevant clearances.

**8.1.3 Support provision of utility linkages and other infrastructure:** The State Government may ensure that all physical infrastructure and utilities linkages

under its jurisdiction are provided for the steel cluster as defined by the Working Group. It will be responsible for developing/facilitating the following indicative list of infrastructure:

- Power connectivity with reliable supply of good quality of power at rationalized rates
- Provision of water requirements
- Road connectivity (State roads)
- Sewerage and effluent treatment linkages
- Any other appropriate infrastructure as decided by the Working Group

8.1.4 **Facilitate provision of benefits:** The State Government may help the steel cluster(s) avail benefits being offered under its respective policies for industrial park and/or cluster development such as exemption of stamp duty, financial assistance for setting up infrastructure, subsidy on interest for the units. These benefits will be provided if the cluster meets the required eligibility criteria. In addition, the State Government may also consider provision of other incentives that it may deem appropriate for the steel cluster.

## 8.2 Annexure 2: Role of the Task Force:

8.2.1 **Review and approval of Detailed Cluster Action Plan:** The Task Force will be responsible for reviewing the progress of the Working Group for creation of the Detailed Cluster Action Plan. The Task Force will be the final authority to approve the plan post which set up of the cluster will begin.

8.2.2 **Facilitate setup of evacuation infrastructure:** The Task Force, through its inter-ministerial representation, may facilitate setting up of evacuation infrastructure as required in the cluster through liaising with relevant ministries such as Ministry of Railways, Ministry of Road Transport and Highways, Ministry of Shipping. It will also aim at expediting requests for completion of existing projects for critical

routes. Such interventions will be identified by the Working Group as a part of the Detailed Cluster Action Plan.

8.2.3 **Facilitate lease/transfer of land:** Post creation of the SPV, the Task Force will be responsible for facilitating lease/transfer of land from the land owning authority to the SPV

8.2.4 **Support to the SPV:** The Task Force will be responsible for facilitating the SPV to carry out specific activities involving central ministries and/or state government including clearances, setting up of any physical infrastructure, common facilities and provision of utilities.

### 8.3 **Annexure 3: Role of the Working Group**

8.3.1 **Creation of detailed cluster action plan:** The Working Group would be responsible for the creation of the detailed cluster action plan, which would be

approved by the Task Force. The detailed cluster action plan will include (but is not limited to) the following:

- 8.3.1.1 **Exact nature/types of players required in the cluster:** The Working Group shall be responsible for identifying the type of industries for which the units will be set up.
- 8.3.1.2 **Number of units:** The Working Group will assess number of units in the cluster basis factors such as expression of interest of the players, requirement of the anchor plant(s), demand estimation
- 8.3.1.3 **Land banks:** The Working Group shall be responsible for assessing the total area required for the cluster basis consultations done by the Group. It will also be responsible for validating the availability of land banks (mentioned as a part of the application) and ensuring that it is encumbrance free.
- 8.3.1.4 **Physical and Evacuation Infrastructure and Common Facilities:** The Working Group will propose setting up of physical and evacuation infrastructure and common facilities that will be required to meet the specific needs of the different types of steel players, subject to availability of funds. An illustrative list of the same has been laid down in Section 4.2 as well as in Annexure 5 and 6.
- 8.3.2 **Detailed Project Report (DPR):** The Working Group would undertake master planning and designing of the Steel Cluster and creation of a Detailed Project Report. This would be done through the respective agency/consultant that has adequate expertise in the designing/setting up of such zones. The Working Group

will define the scope of DPR, which should include (but is not limited to) feasibility study, funding estimate as well as masterplan for the cluster.

- 8.3.3 **Identify list of existing relevant schemes:** The Working Group will also be responsible for identification of existing state or central schemes/projects/funds for funding of the cluster.
- 8.3.4 **Define key elements for the SPV:** The Working Group may be responsible for supporting creation of the SPV, which includes organization structure, key personnel for the SPV, key metrics on which the SPV will report to the Working Group during the setup of the cluster, key metrics on which the SPV will report to the Ministry of Steel after operationalization of the cluster
- 8.3.5 **Create list of activities for cluster setup:** The Working Group will be responsible for preparing a list of activities with detailed steps and timelines for cluster setup.
- 8.3.6 **Monitor operations during setup of the cluster:** The Working Group will monitor the operations of the SPV on a quarterly basis in adherence to the approved detailed cluster action plan during the setup of the cluster.
- 8.3.7 **Facilitate clearances:** The Working Group will be responsible for getting the initial clearances for the cluster by liaising with the relevant Central and State government bodies. With regards to the specific clearances for the tenant units, the Working Group will facilitate resolution of issues that could not be addressed by the individual tenant(s) or the SPV. In case, it is unable to resolve the same, it may escalate the matter to the Task Force.



## 8.4 Annexure 4: Role of the SPV

- 8.4.1 **Develop land and other physical infrastructure:** The SPV will be responsible for development of physical infrastructure according to the masterplan, which will be executed by a developer. This developer shall be selected through a tendering process, specifics of which will be defined by the SPV. The developer may be engaged through an agreement with the SPV or equity stake in the SPV. In case of an agreement, the SPV would specify key metrics, project milestones and minimum service levels for the same which would have corresponding penalties in case of any breach.
- 8.4.2 **Develop common facilities:** The SPV will be responsible for development common facilities such as testing centres, skill development centre as laid down in the Detailed Cluster Action Plan by the Working Group. These can be developed initially or on an ongoing basis in accordance with the requirements of the units in the cluster.
- 8.4.3 **Lease land parcels to the tenant units:** The SPV will be involved in leasing out the individual land parcels to the respective tenant units through a transparent bidding process. The SPV shall be responsible for:
- Specifying the application and leasing process of the land parcels
  - Specifying the lease period for the units
  - Ensuring that the land in the cluster is given for the permissible industries and is in accordance with the Detailed Cluster Action Plan. In case the said land is not used for the permissible industry, it shall be transferred back to the SPV.
- 8.4.4 **Facilitate clearances:** The SPV will act as a single window for application of clearances by individual tenants. In case tenants face challenges in obtaining requisite clearances, the SPV shall facilitate getting approval for the same. In

case the SPV is unable to resolve the same, it shall escalate the matter to the Working Group.

- 8.4.5 **Manage operations of the cluster:** The SPV will be responsible for management of the Steel Cluster, including activities such as finalizing the payment mechanisms for provision of common infrastructure and/or services such as utilities. It will also be responsible for taking day to day as well as strategic decisions such as management of funds, expansion of the cluster, set up of new facilities. It will also be responsible for maintenance of the infrastructure, for which it may use external agencies specializing in operations and maintenance. The selection of such an agency would be carried out through a transparent bidding process, the specifics of which shall be defined by the SPV. The agreement between the SPV and the agency would specify key metrics and minimum service levels for the same which would have corresponding penalties for any breach.

## 8.5 Annexure 5: Design Guidelines for Ancillary and Downstream Cluster

This Annexure lays down the design guidelines for development of cluster around an ISP, which will include ancillary and downstream industries. However, these are not binding in nature and the final decision will be taken by the Working Group.

1. **Tenant units:** This cluster will focus on smaller and medium sized steel units. The following types of units could serve as tenants for the cluster:
  - a. Ancillary units: Below is an indicative but non-exhaustive list of types of units who could be a part of such a cluster:
    - Ferro Alloy units
    - Lancing pipes
    - Foundries
    - Refractory units
    - Casting units
    - Forging units
    - Machining units
    - Fabrication units
    - Spare parts
    - Gas Plants
    - Coke oven batteries
    - Iron Pellets
    - Packaging material
    - Fluxes
    - DRI/Sponge Iron

**b. Downstream units:** Below is an indicative but non-exhaustive list of services that can be provided by tenant units in this cluster.

- Cut to size processing units
- Machining units
- Pipes and Tubes
- Fabrication units
- Sheet metal works
- Galvanizing units
- Colour coating units
- Utensil manufacturers
- Agricultural implement manufacturers
- Industrial fastener manufacturers
- Building material such as angles, joints etc.
- Chimneys, sinks, storage units
- Slag processing units
- Cement manufacturing units
- Coal tar units
- Benzene, Sulphur units

In addition, other large end-usage industries such as aerospace and defence equipment, agricultural machineries may also be promoted

**2. Common facilities and benefits:** Below is a non-exhaustive list of benefits and common facilities that can be provided to the tenant units.

- **Testing labs:** Testing facility may be set up for functionalities such as chemical composition analyses, mechanical properties analyses to fulfil objectives such as adherence to industry standards, accuracy of desired metallurgical composition

(e.g. XRF testing), assessment of properties of the metal such as hardness, tensile strength, impact strength, bending and re-bending ability

- **Business Development Centre:** Business development centre may be set up to assist tenants in identifying new business opportunities in domestic and/or overseas market. The business development centre would assist the tenants in marketing as well as negotiations with potential buyers.
- **Common waste management system (including effluent treatment facility):** The cluster may have common waste management infrastructure including advanced effluent monitoring and testing facilities, critical effluent circulation and discharge areas and complementary solid waste treatment facility to facilitate efficient and cost effective waste and effluent treatment as well as compliance to environmental standards
- **Skill Development Centre:** Skill development centre(s) may be setup to ensure availability of skilled manpower and development of any specific skillsets. The Skill Development Centre can be in the form of new set up or tie-up with an existing training facility; in collaboration with the Central, State ministries or private players as deemed fit by the SPV. The Skill Development Centre shall be responsible for organizing technical certification for the specific skillset as identified by the SPV in accordance with the need of the tenant units. It may provide training for areas such as operating electric arc furnace, die making, forging, special welding courses for special alloy steel, conditioning and monitoring, machine technician. Post certification, the SPV may also facilitate employment opportunities for personnel within the cluster.
- **Warehousing unit:** The warehousing unit can be used as a common storage facility by the tenant units with necessary facilities required for loading, unloading. These storage units may primarily be used for storing spares and other consumables.

- **Transport Park:** A transport park can be developed for vehicle parking and facilities for drivers
- **Export oriented unit:** The cluster can also have a specified export oriented unit which produce solely for export purpose. This may be present in specific clusters on a need-basis. This would require setting up of necessary infrastructure for customs.
- **Use of new and efficient technologies:** In order to match global standards of efficiency and cost, tenants in the cluster would be encouraged to adopt the latest and most efficient technologies across production and performance. Adoption of energy efficient technologies can be facilitated through technological partnerships and incentives (as required) to improve the overall productivity & reduce emissions.

## 8.6 Annexure 6: Design Guidelines for Value-added steel cluster

This Annexure lays down the design guidelines for development of cluster for units manufacturing carbon steel, alloy (including stainless steel) as well as other high grade and special steel, which may include units using routes of production such as EAF, IF and other related routes. However, these will be non-binding in nature and the final design parameters shall be specified by the Working Group.

**1. Tenant units:** The focus will be on small to medium sized steel mills. The following may be considered as tenant units for this type of cluster:

- Units producing carbon steel, alloy (including stainless) steel as well other high grade and special steel
- Units producing steel through Electric Arc Furnace or Induction Furnace route,
- Units producing steel through other related routes such as Energy Optimizing Furnace, with a focus on alloy and stainless steel
- Sponge Iron/DRI units
- Other related downstream and ancillary units

**2. Common facilities and benefits:** Below is a non-exhaustive list of benefits and common facilities that can be provided to the tenant units.

- **Provision for reduced cost of power:** The cluster would seek to provide power at reduced rates through various measures such as removal/reduction of Electricity Duty by the State Government, reduction/capping of Cross Subsidy Charges and discussion with the relevant regulatory commissions for hassle-free set up of Group Captive Power Plants

- **Scrap Processing Centre:** The cluster may have a Scrap Processing Centre to provide high quality shredded scrap to the tenant units. The processing centre may have the following facilities:
  - a. Dismantling centre
  - b. Sorting facility for segregation of scrap
  - c. Shearing facility
  - d. Shredding facility

The processing centre shall be set up in accordance with the guidelines prescribed by the Steel Scrap Policy and will be further enabled by the appropriate policy interventions. Appropriate mechanism for scrap linkage for the tenant units shall be established by the SPV.

- **Sponge Iron / DRI unit:** The cluster(s) would provide a unit to manufacture sponge iron/DRI in proximity to the steel manufacturing units. The final decision of setting up the unit shall be based on the location of each cluster since the sponge iron/DRI unit ideally needs to be in proximity with their raw material sources (iron ore and coal/natural gas)
- **Testing labs:** Testing facility may be set up for functionalities such as chemical composition analyses, mechanical properties analyses to fulfil objectives such as adherence to industry standards, accuracy of desired metallurgical composition (e.g. XRF testing) , assessment of properties of the metal such as hardness, tensile strength, impact strength, bending and re-bending ability
- **Business Development Centre:** Business development centre may be set up to assist tenants in identifying new business opportunities in domestic and/or overseas market. The business development centre would assist the tenants in marketing as well as negotiations with potential buyers.



- **Common waste management system (including effluent treatment facility):** The cluster may have common waste management infrastructure including advanced effluent monitoring and testing facilities, critical effluent circulation and discharge areas and complementary solid waste treatment facility to facilitate efficient and cost effective waste and effluent treatment as well as compliance to environmental standards
- **Skill Development Centre:** Skill development centre(s) may be setup to ensure availability of skilled manpower and development of any specific skillsets. The Skill Development Centre can be in the form of new set up or tie-up with an existing training facility; in collaboration with the Central, State ministries or private players as deemed fit by the SPV. The Skill Development Centre shall be responsible for organizing technical certification for the specific skillset as identified by the SPV in accordance with the need of the tenant units. It may provide training for areas such as operating electric arc furnace, die making, forging, special welding courses for special alloy steel, conditioning and monitoring, machine technician. Post certification, the SPV may also facilitate employment opportunities for personnel within the cluster.
- **Warehousing unit:** The warehousing unit can be used as a common storage facility by the tenant units with necessary facilities required for loading, unloading. These storage units may primarily be used for storing spares and other consumables.
- **Transport Park:** A transport park can be developed for vehicle parking and facilities for drivers
- **Export oriented unit:** The cluster can also have a specified export oriented unit which produce solely for export purpose. This may be present in specific clusters on a need-basis. This would require setting up of necessary infrastructure for customs.

- **Use of new and efficient technologies:** In order to match global standards of efficiency and cost, tenants in the cluster would be encouraged to adopt the latest and most efficient technologies across production and performance. Adoption of energy efficient technologies can be facilitated through technological partnerships and incentives (as required) to improve the overall productivity & reduce emissions.

## 8.7 Annexure 7: Format for application

1. State:
2. Location: Details of tehsils/blocks covered
3. Applicant:
4. Total area for the cluster (acres):
5. Total unencumbered area available for the cluster (acres)
6. Map of the proposed land parcel:
7. Proof of possession of land or consent letter of the land owning authority:
8. Likely date of acquisition of land:
9. Type of players that will invest in the cluster:
10. Estimated investment in the cluster:
11. Estimated employment generation :
  - a. Direct employment
  - b. Indirect employment
12. Estimated period of development:
13. Linkages to the cluster (Distance in km):
  - a. Nearest Railway Station
  - b. Nearest Port
  - c. Nearest National Highway
  - d. Nearest State Highway
14. Utilities connection:
  - a. Water availability status
  - b. Power availability status

Sign of the Applicant

Name in Block Letters

Place

Date

Official seal/stamp

**8.8 Annexure 8: Composition of the Task Force:** Below mentioned is an indicative list of the composition of the task force (not below the level of Joint Secretary):

- Potential members from the Central Government
  - Secretary, Ministry of Steel (Chair)
  - Representative of Ministry of Railways
  - Representative of Ministry of Micro, Small and Medium Enterprises
  - Representative of Ministry of Road Transport and Highways
  - Representative of Ministry of Shipping
  - Representative of Ministry of Heavy Industries and Public Enterprises
  - Representative of Ministry of Commerce and Industries (Logistics Division)
  - Representative of Department for Promotion of Industries and Internal Trade
- Potential members from the relevant State Government
  - Chief Secretary (Co-chair)
  - Representative from state's electricity authority (State Electricity Regulatory Commission and/or Department of Energy)
  - Secretary, Department of Industries or equivalent
  - Secretary, Works Department or equivalent
  - Secretary, Department of Water Resources or equivalent
- Representatives from the relevant industries

**8.9 Annexure 9: Composition of the Working Group:** Below mentioned is an indicative list of the composition of the Working Group:

- Potential members from the Central Government
  - Ministry of Steel (Joint Secretary level)
- Potential members from the state
  - Representative from Department of Industries (Director level)
  - Representative from Works Department (Director level)
  - Industrial Development Corporation of the respective state
  - Representative from relevant Electricity authority (State Electricity Regulatory Commission and/or Department of Energy) (Director level)
  - Representative from Department of Water Resources or equivalent (Director level)
- Representative from the relevant industries

## 9 Glossary

**Alloy steel:** Type of steel that has different elements such as Manganese, Chromium, Nickel with cumulative weight more than 1% of total weight

**Ancillary unit:** A unit providing support products and/or services to the steel manufacturing and/or processing units. These units include but are not limited to spares, refractories, gas plants, ferro-alloys, repair shops.

**Centre owned public enterprise:** Companies in which the direct holding of the Central Government or other CPSEs is 51% or more.

**Design of Cluster:** The phase from application/ initiation of a cluster concept to the registration of the SPV. This would include activities such as creating of detailed cluster action plan, creating the detailed project report, finalizing sources and quantum of funding and defining the elements for the SPV.

**Downstream unit:** A unit involved in the further processing of crude steel. The downstream units could be of 3 types:

- Units processing crude steel into finished steel: Units producing hot rolled sheets/coils, cold rolled sheets/coils, GP/GC sheets, colour-coated sheets, tinplates, pipes and tubes, re-bars, wire rods, structural, fabrication units,
- End-use industries: Units producing other products using steel as a raw material. This would include products such as agricultural implements, industrial fasteners, steel utensils, auto components, storage cabinets, chimney, sinks. It may also include other large-scale industries that use steel as inputs e.g.: agricultural machinery, aerospace and defence equipment
- By-product processing units: Units which use by-products generated from steel-making process as their raw material and use it for processing/manufacturing of

other products. These include units such as coal tar processing, blast furnace slag processing, granulated slag cement plant.

**Integrated Steel Plant (ISP):** A steel plant having all the functions for primary steel production: conversion of raw material (iron ore and coal or scrap and sponge iron/DRI) to steel, rolling and shaping. An ISP may produce semi-finished product (for example: billets, blooms, slabs) or finished product (bars, Hot rolled coils/sheets). It may or may not undertake further processing of crude steel to produce downstream steel intermediate/ finished steel such as cold rolled coil/sheet, galvanized sheet

**Operationalization of cluster:** This is the phase post set-up of the cluster, starting from initiation of leasing process. This will include activities such as developing application process for bidding, developing construct of leasing arrangement and management of the cluster, including both day-to-day as well as strategic decisions.

**Setup of cluster:** The phase from registration of the SPV, getting the initial funding to the completion of all requisite physical infrastructure for leasing out land parcels to tenants. Some of the key activities of this phase will include onboarding of developer and construction of requisite infrastructure (including physical infrastructure and common facilities) of the processing as well as non-processing areas.

**Stainless Steel:** Type of alloy steel with a minimum of 10.5% chromium content. The main advantage of this steel is resistance to corrosion.

**Task Force:** is a committee under the Chairmanship of Secretary, Ministry of Steel and co-chaired by Chief Secretary, State. It will also include Secretaries of relevant Central Ministries, State Government bodies as well as relevant private stakeholders.

**Working Group:** is a committee with representatives from State Government Bodies, Power and Water authorities of the relevant state and other private stakeholders. The

Working Group will have an official from the Ministry of Steel (not below the rank of Joint Secretary) as the Nodal Officer.