

# Govt prioritises indigenous steel production under new policy

**WIDER REACH.** Local manufacturing, value addition push in new policy applicable to a wide range of products

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In a significant move to bolster self-reliance in the iron and steel sector, the Ministry of Steel has taken decisive steps to promote indigenous manufacturing and reduce dependence on imported steel and related technologies.

A new policy — notified on May 26 — mandates strong preference for domestically manufactured iron and steel products in all government procurements. The policy will be in effect for the next five years, with the possibility of extension at the Ministry's discretion.

It applies to the procurement of a wide range of products, including flat-rolled steel, bars, rods, wires, tubes and railway components — all of which must be produced through the "melt and pour" process within India, including in special economic zones.

The new norms cover all government ministries, departments and agencies, as well as projects funded by them, where the procurement value of iron and steel products exceeds ₹5 lakh per item.

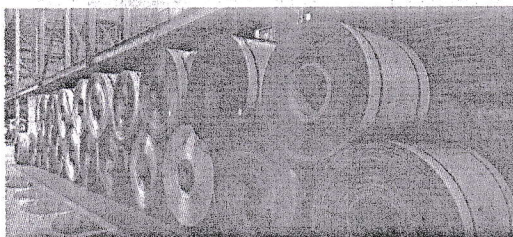
The policy defines domestic value addition as the amount of value added in India, calculated as the total value of the item to be procured (excluding net domestic indirect taxes) minus the value of imported content in the item (including all customs duties), expressed as a percentage of the total value of the item.

The definition of 'domestic value addition' shall be in line with the DPIIT guidelines and will be suitably amended in case of any changes issued by DPIIT in the future, the document stated. For the purpose of this policy, 'domestic value addition' and 'local content' have been used interchangeably, it clarified.

## LOCAL CONTENT

A key highlight of the policy is its emphasis on domestic value addition, requiring manufacturers to meet specified minimum local content thresholds for capital goods used in steel production.

For instance, raw material handling systems must incorporate 95 per cent domestic content while steel-making units such as the basic oxygen furnace must have at least 65 per cent.



**MAKE-IN-INDIA PUSH.** The initiative is designed to encourage local industries to scale up production capabilities, reducing reliance on imported machinery and components

"This push is designed to encourage local industries to develop and scale up production capabilities, reducing reliance on imported machinery and components," an official familiar with the matter said.

The policy also introduces a 20 per cent purchase preference margin for domestic suppliers of capital goods, ensuring they remain competitive even if their bids are higher than the lowest foreign offer.

## INDIGENOUS TECH

This incentive is expected to stimulate investment in local manufacturing ecosystems, particularly in high-value segments, such as continuous casting units and flat product mills. The policy focuses on fostering indigen-

ous technologies. Central public sector enterprises involved in steel making are now encouraged to adopt home-grown innovations.

The policy sets clear criteria: Indigenous technology providers must demonstrate at least 30 per cent of the proposed plant's capacity or 75 per cent engineering experience for existing technologies and a 100 per cent match of critical features for new technologies.

This initiative aims to nurture local R&D and engineering expertise, positioning India as a global leader in steel technology.

A Standing Committee, chaired by the Secretary (Steel), will oversee implementation, resolve disputes and periodically update eligibility criteria to ensure the

policy remains aligned with evolving industry needs.

The policy prohibits global tender enquiries (GTE) for these products and restricts GTEs for capital goods valued up to ₹200 crore, except with special approval — further prioritising local suppliers. Exemptions are allowed only when specific steel grades or required quantities are unavailable domestically, subject to approval by the Standing Committee.

## SELF-CERTIFICATION

Manufacturers are required to self-certify their local content through a standardised affidavit. Penalties for non-compliance, including black-listing, are in place to ensure transparency and accountability.

The Ministry of Steel will monitor progress on a quarterly basis, requiring agencies to report compliance levels and explain any shortfalls. This marks the second major push towards domestic manufacturing and procurement of indigenous items in government orders, following the introduction of a policy with stringent norms and revised global tendering rules announced in April.