

PM SETU

PRADHAN MANTRI SKILLING AND EMPLOYABILITY TRANSFORMATION THROUGH UPGRADED ITIs



Guidelines

Component I

Upgradation of Industrial Training Institutes

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Upgradation of Industrial Training Institutes

SEPTEMBER 2025

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1. Introduction

The Ministry of Skill Development and Entrepreneurship (MSDE), established in 2014, has been entrusted with coordinating all skill development initiatives across the country. Its mandate includes bridging the gap between the demand and supply of skilled manpower, strengthening the vocational and technical training ecosystem, and fostering skill upgradation, innovation, and future-readiness—addressing both current and emerging job opportunities. These efforts are supported by its key institutional arms: the Directorate General of Training (DGT), National Council for Vocational Education and Training (NCVET), National Skill Development Corporation (NSDC), and National Skill Development Fund (NSDF). The DGT implements the Craftsmen Training Scheme (CTS) through a nationwide network of Industrial Training Institutes (ITIs). At present, 169 trades aligned with the National Skill Qualification Framework (NSQF) are offered under the CTS.

The PM- SETU is a Centrally Sponsored Scheme launched to strengthen India's vocational training ecosystem at an unprecedented scale. It emerges from the Government's Budget 2024–25 announcement regarding the upgradation of ITIs and National Institutes for the training of trainers. The Budget for 2025–26 expanded this vision to establish five National Centers of Excellence (NCOEs) for skilling with global partnerships. The scheme's total outlay is ₹60,000 crore (Central share ₹30,000 crore; State share ₹20,000 crore; and Industry share ₹10,000 crore) over a five-year period. The scheme's objective is to upgrade 1,000 Government ITIs as aspirational skilling institutions and five (5) National Skill Training Institutes (NSTIs) as NCOE, in line with the goal of a *"Viksit Bharat" (Developed India)* by 2047. The scheme directly responds to these imperatives by reimagining ITIs as "government-owned, industry-managed" aspirational institutes that deliver demand-driven training and employment outcomes.

The scheme is structured in two components: Component I – Upgradation of 1,000 ITIs in Hub-and-Spoke clusters, and Component II – Capacity Augmentation of five (5) NSTIs and the setting up of five NCOEs therein. The scheme has co-financing to the extent of 50% of Central share by the Asian Development Bank and the World Bank, equally, as Result-Based loan.

This document focuses on the first component of the scheme i.e. Upgradation of ITIs. These Guidelines are to be considered a "living document." They may be revised and updated from time to time to incorporate emerging learnings from implementation, including measures to enhance ease of execution and address any operational bottlenecks encountered during rollout.

2. Scheme Objectives and Scope

Objectives: The scheme's objective is to upgrade and reimagine ITIs through industry-led governance into state-of-the-art skilling institutions that produce highly employable youth aligned with industry needs. The salient features include:

- a. One thousand (1,000) Government ITIs (200 as hub ITIs and 800 as spoke ITIs) to be upgraded in a Hub-and-Spoke arrangement. A Hub ITI will have, on average, four (4)

Spoke ITIs, with all upgraded ITIs equipped with state-of-the-art infrastructure, machinery, and equipment.

- b. For upgradation of ITIs in Hub-and-Spoke arrangements, the institutional structure of a Special Purpose Vehicle (SPV) shall be established by bringing in a credible Anchor Industry Partner (AIP), along with other industry partners if required, to manage the Hub-and-Spoke cluster/s and deliver agreed outcome-based training and employment outcomes.
- c. Introduction of new courses based on jobs/occupations and competencies required in the identified sector/industry segment, with flexibility in duration and pedagogy.
- d. Redesign of existing courses to align with industry needs and improve employability. High-demand traditional courses to be revamped with upgraded curricula and modern technology.
- e. On an average, four (4) new courses would be introduced and ten (10) existing courses would be upgraded at the Hub ITIs. On average, two (2) new courses would be introduced and eight (8) existing courses would be upgraded in Spoke ITIs.
- f. Flexibility to introduce courses related to the service sector, multi-skill courses, and livelihood promotion (where industry presence is low).
- g. Other than the National Trade Certificate (NTC), which is the current course certification for ITI pass-outs, the options may include long-term courses (Diplomas), short-term courses (3–6 months), and Executive Education Programs for Graduates and working professionals, leveraging the presence of advanced machinery and equipment and trainers at Hub ITIs.
- h. Specialized short-term courses for both ITI and non-ITI (Engineering, Diploma, working professionals) candidates.
- i. Facility for Training of Trainers (ToT) at the Hub ITI.
- j. Enhancement of student services, including those related to placement services and linkages to industries, counselling, remedial classes for addressing gaps in foundational learning, extra-curricular activities, life skills training, apprenticeships, and On-the-Job training, etc. in the Hub-and-Spoke cluster.
- k. Hubs may offer services like production centres, incubation centres, and maker spaces, for which the ITI can charge fees as determined by them for ensuring financial sustainability.
- l. Developing a digital interface and Learning Outcome Management System (LOMS) for mapping the entire network of Hub-and-Spoke ITI clusters, real time data capture, digital learning avenues including artificial and virtual reality (AR/VR) capabilities, simulation, and linkages with the national datasets and Skill India Digital Hub (SIDH).
- m. A human resource plan for managing the implementation of the upgradation plan for both Hub and Spoke ITIs, including a managerial layer, trainers and administrative staff, and adoption of better HR practices, leading to improved training outcomes.
- n. Mini-Hubs for North-East and Hilly region: To allow implementation of ITI upgradation in Hub-and-Spoke arrangements in North-Eastern and Hilly States, the indicative definition of Hubs and Spokes may be relaxed.

3. Implementation Framework

This section outlines the Implementation Plan for the Hub-and-Spoke Model under the ITI upgradation scheme.

Implementation Phasing: To manage the scale and complexity, the scheme will adopt a phased rollout. The first phase will cover around 20–25 Hub-and-Spoke clusters (100–125 ITIs) to validate the SPV model and implementation framework. Learnings from the pilot will inform course corrections before scaling to all targeted ITIs.

3.1 Eligibility criteria for Government ITIs

The selection criteria for ITI selection would be decided by States/Union Territories (UTs) in consultation with the industries, ensuring alignment with emerging skill needs, local industrial potential, and collaborative ownership by both States and industry stakeholders.

3.2 Eligibility of Entities to Participate as an Anchor Industry Partner under the scheme

- Industry partners (credible companies or manufacturers with established operations in India), including Public Sector Undertakings
- Industry associations or consortia
- Industry-led foundations (CSR/philanthropy arms of corporates)
- Academic institutions promoted/operated by industry (e.g., corporate universities, sectoral skilling institutions)

Note:

- a) Entities debarred by any government agency will not be eligible to participate under the scheme.

3.2.1 Minimum Eligibility Criteria for Industry Participation

States/UTs through their Steering Committees (composition detailed in section 6) will have the flexibility to fix appropriate eligibility criteria, such as turnover and number of employees, at the Expression of Interest (EOI) or Request for Proposal (RFP) stage, based on their local context and industrial landscape. However, while determining such criteria, the State should ensure the participation of credible industry partners as Anchor Industry Partners (AIPs) and prevent 'small-time operators' from entering the scheme.

3.3 Roll-out Plan for the Scheme

Step 1: Finalizing RFP and Bid Evaluation Framework

States/UTs will:

- Finalize pre-qualification, technical, and financial criteria based on consultations and feedback during the EOI stage.
- Float the RFP inviting industry partners to submit proposals (Strategic Investment Plan (SIP)).

Step 2: Evaluation of Proposal

The evaluation will follow:

1. Pre-qualification of bidders based on basic eligibility.
2. Technical evaluation of SIPs submitted by pre-qualified bidders in relation to their HR plan, employment outcomes, operational strategy, curriculum innovation, infrastructure, industry linkages, and sustainability (criteria and weights are provided in Annexure 2).
3. Financial evaluation as detailed in Annexure 2.

Step 3: SPV Formation

Scenario A: Qualifying Proposals Received

1. State evaluates technical and financial aspects and forwards top-ranked SIPs to the National Steering Committee (NSC).
2. NSC assesses alignment with scheme objectives and approves proposals.
3. Post-approval, an Industry-led SPV (Section 8 Company) is formed, with government and AIP nominating representatives to the SPV board. If an AIP is managing multiple clusters, it may form a common SPV.

Scenario B: No Qualifying Proposals

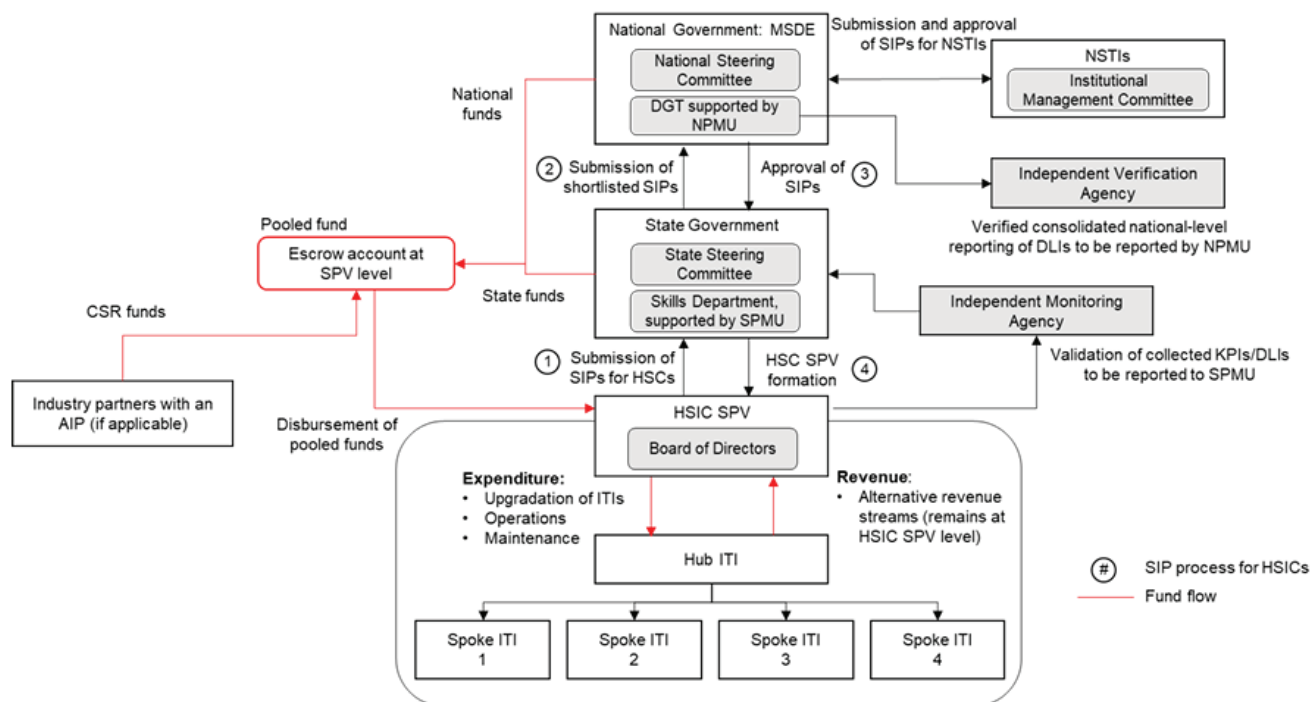
1. States may revise evaluation/qualification criteria, and re-float the RFP, or
2. State may propose a State-led, industry-supported SPV for NSC's consideration, or
3. State may drop the cluster.

3.4 SPV structure

A. Industry-led SPV Structure

In the industry-led model, a tripartite agreement (Shareholder Agreement and License Agreement) shall be executed among the Government of India, State Government, and AIP for the upgradation, management, and operation of the ITIs. The 51% shareholding in the identified cluster-level SPV will remain with the AIP, and the remaining 49% will be equally shared by the Central and State Governments. The SPV will retain full autonomy over course offerings (e.g., introduction of new programs, curriculum and pedagogy design), trainer management (e.g., recruitment, training), financial operations (e.g., expenditure, revenue generation), as well as administration and infrastructure improvement. The State will ensure that there are no undue challenges to the SPV exercising their autonomy and may introduce relevant guidelines and regulations, if required.

The structure of the industry-led model is illustrated below:



The SPV shall be responsible for the upgradation (physical infrastructure and equipping), operation (training according to NCVET and DGT norms), management (human resources and physical and non-physical assets), and maintenance of the identified Hub-and-Spoke cluster/s.

The shareholders of the SPV will sign a Shareholders' Agreement (SHA) that will record the rights and obligations of the AIP, the Central Government, and the State Government in the SPV. The SHA Term Sheet is provided in Annexure 3.

The SPV will sign a License Agreement (LA) with the State and Central Governments. The LA will record the terms and conditions on which ITIs will be licensed by the State Government to the SPV and will outline the terms and conditions on which the SPV will operate and manage a specific Hub-and-Spoke cluster, including provisions on funding, key performance indicators (KPIs), obligations of the SPV with respect to operation and maintenance of the Hub-and-Spoke cluster, and mechanisms for monitoring the performance of the SPV. The Term Sheet for the LA is provided in Annexure 4.

B. State-led SPV Structure:

This model shall be followed in cases where an AIP is not available for the industry-led model. The State-led SPV will function as the institutional body responsible for managing the Hub-and-Spoke cluster and delivering training and employment outcomes as per scheme norms and agreed KPIs.

In this model, the shareholding of the SPV will be 51% (majority) by the State Government. Under this SPV, strategic industry participation through co-funding will be required at a minimum level to be specified by the State Government, but not less than 17%, and also will be expected for curriculum co-creation, and placement linkages. The SPV will retain full autonomy over course offerings (e.g., introduction of new programs, curriculum and pedagogy design), trainer management (e.g., recruitment, training), financial operations

(e.g., expenditure, revenue generation), as well as administration and infrastructure improvement. The State will ensure that there are no undue challenges to the SPV exercising their autonomy and may introduce relevant guidelines and regulations, if required.

The State shall nominate officials or institutions to represent its interest in the SPV and ensure alignment with State skilling priorities. The State Government shall also coordinate with industry partners and relevant departments to ensure sustained support for training delivery, faculty deployment, and convergence with other employment schemes.

The SHA and LA formats for the State-led model shall be in line with the Annexures [3] and [4] respectively and will be modulated accordingly.

3.5 Responsibilities of SPV:

The SPV's key responsibilities, applicable with necessary adjustments to both SPV models (Industry-led and State-led), shall be carried out through the approved SIP, broadly covering the following:

1. **Project Implementation and Execution:** Overseeing the establishment, expansion, and operation of Hub ITIs and Spoke ITIs, as per approved SIP, or any modifications thereof, at the level of the State Steering Committee (SSC) and NSC.
2. **Financial Management and Resource Allocation:** managing the funds disbursed by both Central and State governments, as well as contributions from the AIP. Additionally, revenue can be generated from other sources, such as production centres, fees from non-ITI students and working professionals, consultancy, and research. All financial transactions of the cluster will be managed by the SPV.
3. **Procurement and contract management:** SPV will be fully responsible for preparing an Annual Operational Plan (AOP) based on the SIP and carrying out procurement as per the agreed arrangements and applicable rules of the Company's Act or GFR provision, as the case may be. The SPV will ensure that awarded contracts are completed and closed as per contractual terms and conditions.
4. **Environmental and Social Management:** SPV will be responsible for adopting digital systems to inform the preparation, implementation, monitoring, and reporting of environmental and social risk management plans to ensure compliance with applicable national and state regulations; screening and monitoring of environmental and health and safety aspects of infrastructure development/upgradation and use; capacity development on environment, health and safety, and resilience; labour welfare measures included in contracts for civil works; Human Resource Policy for contract staff; workplace safety for women and girls; adoption of systems for social screening of subprojects and preparing and implementing mitigation plans; and establishing accessible and responsive grievance management systems.
5. **Course Design:** Develop and deploy new courses and re-design existing ITI courses as required in the identified industry cluster, with required flexibility in genre, duration, and pedagogy as per the framework given in the guidelines.
6. **Infrastructure and Equipment:** Appropriate procurement planning for putting in place state-of-the-art infrastructure, machinery, and equipment, with proper space, facility management, and placement of required lab resources as per the course and curriculum plan.

7. **Student Services:** Improve or deploy student services identified in the SIP, such as placement services, counselling, soft skills, remedial classes for addressing gaps in foundational learning, sports facilities, foreign language training, extra-curricular activities, etc.
8. **Institutional Support and Capacity Building:** Providing technical support, staff training and capacity building, faculty training, and curriculum development and diversification into high-growth sectors that have a favourable employment outlook for women.
9. **Stakeholder Engagement:** Provide beneficiary-centric and citizen engagement actions, and adopt systems for participation, planning, and monitoring across all levels of service delivery.
10. **Policy Implementation and Compliance:** Ensuring all training programs comply with government norms, industry standards, and regulatory requirements.
11. **Monitoring, Evaluation, and Reporting:** Collecting data, assessing performance, identifying bottlenecks, and improving program effectiveness. Various monitoring and evaluation mechanisms will be implemented, which are further explained under the M&E section of the guidelines. SPVs will be required to collect data on the employment outcomes of all graduates from their Hub and Spoke ITIs by implementing a graduate tracer survey.
12. **Industry and Stakeholder Collaboration:** Engaging with private industries, sector skills councils, relevant sectoral departments, and academic institutions to enhance skill development programs, and job outcomes.

3.6 Initial Share Capital

The Section 8 company (SPV) will be capitalized with an initial share capital of Rs. 1,00,000 (Rupees One Lakh), with each shareholder contributing pro rata.

3.7 Board of Directors

The Board shall be constituted as per the provisions of the Companies Act, 2013. For ease of implementation, a suggested composition is provided below, which may be modified as per the specific requirements of the SPV and in accordance with the SHA Term Sheet.

1. Board Composition for Industry-led SPV

- **Board of Directors:** Each SPV shall be led by a Board of Directors. The membership, tenure, functions, and nomination process of the Board shall align with the requirements of the Companies Act and be specified in its shareholders' agreement.
- **Board Composition:** The Board shall have 11 Directors, at least two of whom should be female, conforming to the following:
 - **Chairperson:** To be nominated by the AIP in concurrence with the Government
 - **Four (4) members** other than the Chairperson to be nominated by the AIP. These members may serve as executive¹ or non-executive² members of the Board.
 - **Two (2) members** nominated by the Central Government as non-executive

members

- Two (2) members nominated by the State Government as non-executive members
- One (1) member nominated by the Board from existing ITI leadership
- Chief Executive Officer (CEO) of the SPV

Note: For the State-led SPV, the composition shall be determined by the State Government, though the expectation is that the Chairperson will be from industry, a majority of the members from non-government stakeholder groups (industry, experts), and one member from existing ITI leadership.

- **Appointment Criteria:** State Governments and the MSDE shall appoint their respective nominees to the Board. These nominees may come from a non-government background, including from academia or technical/ sector experts.

2. Board Functions

- **Strategic Oversight:** The Board shall set the strategic direction for the SPV in alignment with the SIP.
- **Governance and Fiduciary Duty:** The Board shall ensure that the company adheres to legal and regulatory requirements, compliance with fiduciary requirements, maintains high ethical standards, and ensures financial health and stability.
- **Policy Making:** The Board shall establish policies and procedures that guide the company's operations and management, for the overall benefit of students and the community.
- **Resource Allocation and Performance Monitoring:** The Board shall review and approve the annual workplan, budget, and results achievement reports to be shared with the State government (State Steering Committee) and the independent monitoring agency.
- **Risk Management:** The Board shall identify and monitor risks and ensure appropriate risk management strategies are in place.
- **Board Committees:** The Board shall establish rules and procedures for relevant Board Committees. It may create such committees or advisory groups for specific purposes, including academic matters, procurement, audit, financial management, etc. to support it in discharging its functions.
- **Quorum for Board Committee Meetings:** In addition to minimum quorum requirements applicable to Section 8 companies, all Board Committees/ Advisory Group meetings must have the presence of at least 1 Central Government and 1 State Government nominated director, in addition to AIP nominated Director/s, for meeting quorum requirements.

¹Executive directors are board members who also serve in the company's management and are involved in the day-to-day operations.

² Non-executive directors are board members who do not hold management roles within the company and are not involved in the day-to-day operations. They provide an independent perspective and oversight to the company's strategy, and operations.

- **Stakeholder Consultation:** The SPV shall establish procedures for regular, structured, and meaningful consultation with key stakeholders, such as the constituent ITIs, students, parents, and staff. This could be achieved by the Board appointing ex-officio members.

3. Financial Responsibilities of Board

- **Solvency and Asset Protection:** The Board of Directors shall ensure the solvency of the institution and safeguard its assets.
- **Annual Plans and Budgets:** The Board shall approve annual work plans and budgets, which must reflect the SIP. These plans should include all activities of the constituent ITIs within the purview of the SPV. The annual plan shall reflect any procurement activities that need to be carried out during the specified FY.
- **Financial Strategy:** Financial strategy shall be carried out as per the approved SIP. In case of any change of plans or expectation of deviation from the original plans, approval shall be taken from the SSC through annual reports or other periodic reporting mechanisms, as laid down in the SHA and the LA.
- **Compliance with Funding Terms:** The Board shall ensure that funds provided by funding bodies are used in accordance with the terms and conditions specified in the scheme guidelines and license agreement.
- **Delegated Financial Authority:** The Board shall establish and maintain clear, written rules specifying the levels of financial authority delegated to the CEO and designated key personnel to ensure transparency and accountability in financial decision-making.
- **Risk Management and Governance Systems:** The Board shall ensure the existence and integrity of risk management, control, and internal governance systems, and monitor these through an audit committee.
- **Annual Accounts and Expense Monitoring:** The Board shall receive and approve annual accounts (audited financial statements) and periodically monitor capital and operating expenses (at least once a quarter) to ensure that the finances of the institution are managed as per the approved plan and to approve reasonable variations, if any.

3.8 Appointment and Responsibilities of the CEO and Management

- **Appointment of CEO:** The Board of Directors shall appoint a nominee of the AIP as Chief Executive Officer (CEO) to lead the management team. The CEO is a full-time position appointed through a merit-based selection process.
- **Management Team:** Led by the CEO, the management team shall handle day-to-day operations and tasks assigned by the Board of Directors.
- **Powers and Responsibilities:** The Board of Directors shall specify the powers and responsibilities of the management team, which oversees operations and implements the SIP for SPV. The responsibilities of the management team may vary across SPVs, but at a minimum shall include:
 - Operational execution, including academic, HR, and administrative matters

- Performance management, monitoring, and evaluation.
- Fiduciary, environmental, health and safety, and social safeguards compliance, and reporting
- Coordination with government bodies, industries, and other stakeholders, such as trainees and staff

3.9 Delegated Matters

Delegated Matters is a list of matters in respect of which decision making at the Board level is delegated to the CEO. In order to ensure operational freedom for the SPV, a list of Delegated Matters will be incorporated into the SHA. The Board, in its first meeting, will assign the Delegated Matters to the CEO and empower the CEO to undertake actions contemplated in such matters.

The Delegated Matters will remain subordinate to the Reserved Matters. Hence, where there is an overlap between Delegated Matters and Reserved Matters, the necessary Reserved Matter consent will still be required.

3.10 Reserved Matters

Indicative Reserved Matters which shall be part of the SHA, protecting the State and Central Government, include the following:

Part A: Fundamental Reserved Matters available to both the Central Government and the State Government:

- Any amendment to, or alteration of, the memorandum of association or the articles of association of the SPV, including the “Objects” clause of the Memorandum of Association.
- Any change in the capital structure of the SPV, including by way of the issuance of any securities to any Shareholder or other person.
- Any transfer of the shares or securities of the SPV by any Shareholder.
- Any change in the constitution of the Board or of any Board Committees thereof (including the appointment, removal, or other change of the Chairperson), including the manner of appointment of Directors or any increase or decrease in the size of the Board.
- Appointment, removal, or any change of statutory auditors.
- Capital expenditure for, or on behalf of, the SPV or the Hub-and-Spoke cluster other than in accordance with the terms of the SIP.
- Acquisition, receipt, disposal, gift, or grant, of any assets of value greater than that specified in the SHA.
- Sale, lease, gift, grant, or disposal in any other form and manner of any assets to any person/entity other than the ITIs constituting the Hub-and-Spoke cluster.
- Acquisition of shares in or investment in any other person, creation of subsidiaries, joint ventures, partnerships.
- Creation of encumbrances on the assets of the SPV.
- Liquidation, dissolution, or winding up of the SPV.

- Any change to the registered office or the name of the SPV.
- Entering into any agreement with the AIP.
- Approval of the audited financial statements of the SPV.
- Incurring any indebtedness.
- Entering into an agreement, whether binding or otherwise, in relation to the foregoing.

Part B: Requiring prior written consent of the **State Government** to make decisions vis-à-vis such matters:

- Operational expenditure for, or on behalf of, the SPV or the Hub-and-Spoke Cluster other than in accordance with the terms of the SIP.
- Entering into any contract involving an expenditure in excess of that specified in the SHA, renewing /amending such contracts beyond the initial period, or altering the terms and conditions of such contracts.
- Commencement of litigation, arbitration, or other legal proceedings regarding a disputed value in excess of that specified in the SHA, and except in relation to any dispute arising out of the License Agreement.
- Entering into an agreement, whether binding or otherwise, in relation to the foregoing.

3.11 Term and Termination

The SHA to formalize the industry-led SPV model will come into effect simultaneously with the LA and will continue to remain in effect until and unless any of the following termination events occur:

- Mutual agreement among the parties to the SHA
- Expiry/termination of the LA for any reason other than any default by the SPV
- Liquidation, dissolution, winding up, or bankruptcy of the SPV
- A shareholder ceasing to hold any securities in the SPV. In such a case, the SHA would be terminated vis-à-vis such shareholder

Exit Events

Upon expiry of the term of the LA or termination of the SHA (for reasons other than the occurrence of an Event of Default), one of the following actions will be undertaken at the discretion of the Central Government and the State Government:

- the SPV will be voluntarily wound up; or,
- the Central Government and the State Government will have the right to acquire (by themselves or their respective nominees) the shares of the SPV held by the AIP at the lowest permissible price under applicable law. The Government may continue the SPV with a different industry partner, after acquiring the shares.

Further information on the configuration of the industry-led SPV, including matters not listed above such as non- scheme modes of funding, lock-in period, inspection rights, events of defaults, penalties, termination, confidentiality, legal jurisdiction, etc. are covered in the SHA term sheet.

3.12 Human Resources

The Human Resources (HR) arrangement for the SPV is critical for ensuring effective management and operation of the ITIs. Putting in place a HR plan for managing the implementation of the Hub-and-Spoke ITI, including management, trainers, and administrative staff, will be the primary responsibility of the AIP (or the Board in the State-led model). A broad outline of such a plan will be part of the SIP. The HR plan can adopt various models suited to the context of the State/ UT and clusters identified for upgradation, including the following options:

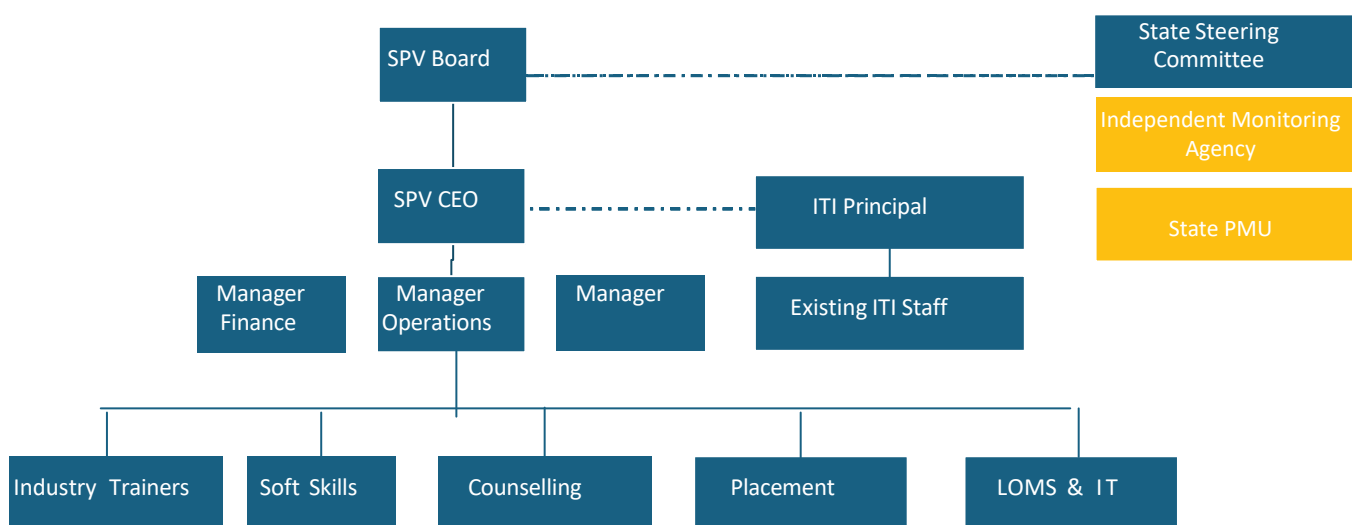
Model 1: Co-existence of Government ITI staff with new SPV staff

This would be the preferred model of HR management under the industry-led SPV model. The industry-led SPV shall bring in managerial expertise through a professional CEO and may also appoint managers for academics, finance, operations, etc. The SPV shall also bring master trainers/ trainers/ subject matter experts from industry shop floors for new courses and those being redesigned, especially in the areas of advanced manufacturing, Industry 4.0, etc.

In addition, personnel required for managing new functions such as LOMS, counselling, placement, etc. shall be engaged by the SPV.

The existing ITI staff will continue to report to their respective ITI principal. It is expected that the existing ITI staff will be professionally developed by the SPV, with collaborative technical and leadership training offered to bring them in line with the latest industry practices and prepare them for the post-scheme running of the ITIs. Onboarding of contractual staff at the SPV level is also expected to compensate for time for hiring permanent ITI staff for vacant positions, until such positions are filled by the Government.

The SPV CEO shall exercise administrative jurisdiction over the existing ITI staff for day-to-day work and performance. However, the ultimate control, including disciplinary actions or termination, shall remain with the State Government. The SPV CEO shall only exercise a recommendatory role to the State Government for performance, transfer, or disciplinary actions over ITI staff. In case the State Government decides to transfer the ITI staff, the SPV can hire a replacement on a contractual basis. An indicative representation of the model is shown in the below figure.



Model 2: Deputation of Government ITI staff to SPV

A similar HR structure to Model 1 will be used, apart from it is staff having direct accountability and reporting to the SPV CEO. The existing government staff, including the principal who qualify the criteria set by the SPV may be absorbed by the SPV. Such a placement of government employees on deputation to the SPV shall be done with the formal consent of the employee and for the duration of the scheme. ITI staff who do not consent to the deputation may be transferred to another non-scheme ITI. The salary and benefits for staff deputed to the SPV shall be as per the HR policies of the SPV. The terms of deputation shall be as defined under the State rules and such service rules will need to permit deputation to private entities or be amended to allow such arrangements.

Model 3: No Government staff in SPV

In this model, the State Government may remove all existing government staff from scheme ITIs and reassign them to other government-run ITIs within the State. The industry-led SPV would then be entirely run and managed by SPV staff, as per its own HR policies. This may not be ideal for building the required HR capacity of government it is envisaged under the scheme or for continuity of services to trainees and may only be explored in rare instances of discord or unforeseen situations.

4. Financial Design

This section outlines the financial management arrangements of the scheme – including planning and budgeting, fund flow mechanisms, accounting and reporting, internal controls, and audit provisions.

4.1 Financial Outlay and Financing Structure

The total outlay of the scheme is **₹60,000 crore** over five years. This cost is shared among the Central Government, State Governments, and Industry as shown below:

Particulars	Total (₹ Crore)	Central (₹ Crore)	State (₹ Crore)	Industry (₹ Crore)
Total Scheme Outlay (5 years)	60,000	30,000	20,000	10,000

This corresponds to a funding pattern of approximately 50% Central: 33% State: 17% Industry. Each Hub-and-Spoke cluster will maintain this cost-sharing ratio in its funding plan as indicated in the Strategic Investment Plan (SIP). The SIP will be vision and guiding document for upgradation of ITIs. The SIP prepared by the Industry Partner will outline the total cost of transformation, including expenses and those related to infrastructure, equipment, trainers, and other areas of upgradation, while focusing on the development and delivery of industry-aligned courses and the achievement of key outcomes (placement, salaries, enrolment, etc.) for the scheme period.

The Central share will predominantly finance capital expenditures (e.g. infrastructure, equipment), while State and Industry shares will cover both capital and operational expenditures. Special provisions apply for certain States/UTs: for North-Eastern and Hilly States, the Centre: State: Industry ratio is 74.7%: 8.3%: 17% (central funding includes a portion of operational costs), and for Union Territories without legislature the ratio is 83%:

0%: 17% (no UT share). In all cases, the industry contribution must be at least 17% of the project cost (this may come from a single industry partner or multiple partners). In cases, if an industry partner contributes more than the minimum 17%, the required State contribution is reduced proportionately. In exceptional cases, if the industry contributes less than 17%, the State must increase its share to meet the shortfall (undertaking to be given by State in SIP).

Indicative Investment per ITI and Cluster: Upgradation costs have been estimated per institution to guide planning. Under the Scheme, support will be provided for the upgradation of Hub ITIs with an outlay not exceeding ₹81 crore (over five years) and for Spoke ITIs with an outlay not exceeding ₹40 crore. In cases where the overall cost of upgradation of these institutes exceeds the prescribed outlay, the contribution of the Central Government shall be capped at 50% of the above ceiling amounts and limited strictly to capital expenditure (Exceptions for NER, Hilly States and UTs without legislature).

Table below provides an indicative breakdown, including the combined cost for a typical cluster of one Hub and four Spoke ITIs:

Item	Total Cost	Central	State	Industry
Upgradation of one Hub ITI (avg.)	₹81 crore per ITI	₹40 crore	₹30 crore	₹11 crore
Upgradation of one Spoke ITI (avg.)	₹40 crore per ITI	₹18 crore	₹17 crore	₹5 crore
One Hub + Four Spokes (cluster total)	₹241 crore per cluster	₹112 crore	₹98 crore	₹31 crore
Annual cost for one cluster (5-year average)	~₹48.2 crore per year	~₹22.4 crore	~₹19.6 crore	~₹6.2 crore

Note: Actual project costs and the exact share of each contributor will be determined by the approved Strategic Investment Plan (SIP) for each cluster. The figures above are indicative; individual cluster investments may vary. The central share will be as per actual capital expenditure.

Component-Wise Outlay (1000 ITIs): Within the overall scheme, approximately ₹56,900 crore is allocated for upgrading the 1,000 ITIs (Component I of the scheme). The table below breaks this out between Hub ITIs and Spoke ITIs, along with the share of each funding source:

Component	Total 5-Year Cost	Central	State	Industry
Upgradation of 200 Hub ITIs (<i>including new courses/content development</i>)	₹20,220 crore	₹10,420 crore	₹6,100 crore	₹3,700 crore
Upgradation of 800 Spoke ITIs (<i>including new courses/content development</i>)	₹36,680 crore	₹16,880 crore	₹13,900 crore	₹5,900 crore
Subtotal – ITI Upgradation (Comp. I)	₹56,900 crore	₹27,300 crore	₹20,000 crore	₹9,600 crore

(The remaining portion of the ₹60,000 crore outlay is allocated to Component II – the establishment of five National Centres of Excellence (upgraded NSTIs) – and to certain central activities as described below.)

Central Support for Scheme Management: ₹1,600 crore is earmarked for governance, project management, and capacity-building activities to ensure the scheme's effective implementation and sustainability. Key provisions (over five years) include:

- Capacity building of central & state agencies: ₹200 crore
- Office expenditure (administrative expenses): ₹100 crore
- IT and digital infrastructure (incl. LOMS): ₹600 crore
- Technical assistance for institutional strengthening: ₹100 crore
- Media, awareness & advocacy: ₹100 crore
- Evaluations, studies, and research: ₹100 crore
- Project Management Unit (PMU) support at the central and state levels: ₹400 crore. The PMU support for each State shall not exceed ₹2 crore per year and will be determined based on the number of clusters proposed by the State.

Total central support for scheme management = ₹1,600 crore. (These costs are covered entirely by the Central Government and are part of the overall Central share in the scheme outlay.)

4.2 Fund flow¹

Funding under the scheme is channelled through a dedicated mechanism that ensures all partners contribute their share and ties fund releases to performance milestones. The key elements of this funding mechanism are the escrow account for pooling contributions and a milestone-based disbursement schedule as described below. The payment tranche for Centre, State and Industry would be decided in the Annual Operational Plan (AOP) submitted by the SPV.

Escrow Account

Each approved cluster SPV will operate an escrow bank account in Scheduled Commercial Bank (SCB) to collect funds from all sources. All contributions – Central, State, and Industry – are deposited into this escrow account, and funds become available for the SPV's use only after all three parties have contributed their respective shares for a given tranche. This escrow setup ring-fences the project funds, ensuring they are used solely for the cluster's upgradation activities and that each stakeholder's contribution is proportional and timely.

Fund Disbursement and Release Conditions

Initial Advance (Year 1): In the first year of the project, an advance of up to 10% of the total project outlay (as per the proposed Annual Operational Plan, matched with the State and Industry shares) shall be released to the SPV upon approval of the cluster's Strategic Investment Plan (SIP) by the National Steering Committee (NSC). This upfront funding enables the SPV to establish its governing board and project team, initiate preparatory activities, finalize procurement plans, and kick-start initial improvements or training programs. There is no second installment in Year 1; the initial advance is the only disbursement for the first year.

Annual Instalments (Years 2–5): The remaining 90% of the project funds is disbursed from the second year onward in annual instalments. Each year's approved funds (as per

¹ National Steering Committee (NSC) meeting held on 20.09.2025 has recommended necessary revisions as required in consultation with Integrated Finance Division, MSDE. Necessary revisions would be updated separately.

the SIP/AOP) are released in two tranches – of 50% each – subject to the cluster meeting specific performance and co-funding conditions:

- First instalment (50% of annual allocation): Released at the beginning of Year 2, Year 3, Year 4, and Year 5, only if the following milestones for the previous year are met:
 1. Utilization of previous funds: At least 75% of the last tranche (previous year's funds) has been utilized, as evidenced by expenditure reports and utilization certificates. *(For example, to receive the first installment of Year 3, the cluster must have expended at least 75% of the funds released in Year 2.)*
 2. Annual Plan approval: The Annual Operational Plan (AOP) for the current year is submitted by the SPV and approved by the State Steering Committee (SSC). The AOP should detail the year's targets, activities, and budget, aligned with the original SIP.
 3. KPI achievement: The cluster achieved at least 80% of its key performance indicator (KPI) targets for the previous year. These KPIs cover critical outputs (e.g. completion of civil works, procurement and installation of equipment, faculty hiring/training, launch of new courses, student services rollout, etc.), and achievement is measured in a weighted manner (explained below).
- Second installment (remaining 50%): Released around the mid-point of Year 2 through Year 5, only if the following ongoing-year conditions are met:
 1. Mid-year progress on KPIs: At least 50% of the current year's KPI targets are achieved by mid-year (assessed using a cost-weighted progress metric).
 2. Industry contribution for the year: The industry partner has deposited its full share of the current year's required funding into the escrow account.
 3. State contribution for the year: The State government has deposited its full share of the current year's funding into the escrow account (ensuring the State is co-funding on schedule).
 4. Compliance with reporting: The SPV has submitted required interim progress reports and financial statements for the year-to-date, and addressed any review observations or corrective actions from previous reviews.

If the above conditions are not fulfilled, the release of funds is deferred until compliance is achieved. This staggered, conditional release structure ensures that the flow of funds is performance-driven and in sync with the cluster's capacity to utilize funds effectively

(Note: In Year 5, the mid-year second instalment is the final scheduled disbursement, which may be adjusted or withheld based on a final performance review.)

KPI-Based Performance Evaluation: Each Hub-and-Spoke cluster's performance is tracked through KPIs defined in its SIP and AOP, covering areas like infrastructure development, training delivery and outcomes, placement of trainees, faculty capacity, and industry partnership activities. To ensure fairness, a cost-weighted scoring approach is used for KPI achievement: progress in each component contributes to the overall KPI achievement in proportion to that component's share of the budget. For example, if procurement of equipment accounts for 30% of the project cost, and the cluster has completed 80% of the equipment procurement, then that component would contribute 24% (which is 80% of 30%) toward the overall KPI fulfillment percentage. Additionally, a

certain weight (e.g. 10%) is reserved for high-impact outcomes that may not directly correspond to expenditure, such as trainee performance and placement rates, industry satisfaction, and governance improvements. This method ensures that both financial utilization and outcome achievement are factored into performance, aligning fund releases with the scheme's objective of quality and results.

Planning and Budgeting

Strategic Investment Plan (SIP): Financial planning for each cluster begins with the preparation of a Strategic Investment Plan at the proposal stage. The SIP lays out the complete 5-year financial blueprint for that Hub-and-Spoke cluster, detailing year-wise capital expenditure (CapEx) and operational expenditure (OpEx) requirements. It includes itemized budgets for major components – e.g., civil works (construction/renovation of classrooms and workshops), equipment and machinery for new and upgraded trades, human resources (additional instructors, support staff), training materials and consumables, curriculum development, student support services, etc. The SIP should be supported by schedules or annexures as needed (such as lists of equipment to be procured, civil works details, staff hiring plans, etc.). This plan is scrutinized and approved by the State Steering Committee and ultimately by the NSC as a pre-condition for funding. The approved SIP effectively sets the overall budget envelope for that cluster under the scheme.

Annual Budgeting and Revisions: The cluster will prepare an Annual Operational Plan (AOP) for each upcoming year, outlining specific activities, outputs, and budget for that year, within the ceilings approved in the SIP. If a revision to the originally approved annual budget (either CapEx or OpEx) is needed but remains within the overall envelope sanctioned in the SIP for that year, the SPV's Board of Directors can approve such a change. The Board's approval for an intra-envelope reallocation or revision should be communicated to the SSC/NSC within 15 days. However, any proposal to exceed the annual CapEx or OpEx limits defined in the SIP (i.e., a major change to the project scope or cost) requires prior approval from the SSC/NSC before implementation. This ensures flexibility for the SPV to make minor reallocations for efficiency, while maintaining oversight on major deviations from the plan.

(Indicative state/UT-wise allocations of ITI clusters are provided in Annexure 5 of the guidelines to aid initial planning.)

State and Industry Share:

The following will be excluded while ascertaining mandated State share for SPV funding:

- i. Salaries of existing/baseline Hub-and-Spoke Clusters staff (both regular and contractual), i.e., staff hired before the registration of the SPV.
- ii. Salaries of regular Hub-and-Spoke Clusters staff hired after registration of the SPV against posts sanctioned by the State Government before the date of registration of SPV.
- iii. Existing/baseline budgetary grants from State Government (other than salaries) like operational cost per student (based on baseline number of students), minor repairs, consumables for existing trades, other establishment costs like telephone, electricity, stationery, etc.
- iv. The industry in-kind support (donation of equipment, software, etc.) will be excluded

while ascertaining the mandated industry share for Hub-and -Spoke Clusters funding.

Transfer by H&S/State Government to SPV:

The scheme intends to establish an empowered and accountable Hub-and -Spoke Clusters/SPV which will balance accountability with economy with a sustainable industry connect. To ensure sustainability of this institutional framework, the following will be transferred/assigned by State Govt/H&S ITIs to Hub-and -Spoke Clusters/SPVs.

- a. Budgetary grant received from State/UT Govt. for operational cost per student (based on baseline number of students), minor repairs, consumables for existing trades, other establishment costs like telephone, electricity, stationery (by State Govt.)
- b. Existing revenues like student's registration fees, if any (by H&S)
- c. Existing MOUs with industry (by H&S)
- d. Existing Fixed Assets for operational use with ownership retained by the State Govt. (by H&S)

However, none of these will be counted as contribution towards the mandated State share or industry share for funding of Hub-and -Spoke Clusters/SPVs.

4.3 Financial Controls

- To ensure robust financial management and accountability, the scheme will enforce strict controls and adhere to standard government financial practices throughout implementation:
- Ring-fencing of Funds: All scheme funds for a cluster are kept in the dedicated escrow account for that cluster and used only for approved scheme activities. The money in the escrow cannot be diverted to other purposes or lent/advanced elsewhere. This ring-fencing ensures a clear separation of scheme finances from other State or institutional accounts and facilitates transparent audit trails of how funds are spent.
- Utilization Threshold for Further Release: Before any new tranche of funds is released to the SPV, it must demonstrate substantial utilization of prior releases. Typically, at least 75% of the previous instalment should be utilized (and the corresponding outputs achieved) before the next instalment is approved. If a cluster is holding significant unutilized funds from earlier releases, further disbursements will be delayed or withheld. This principle prevents accumulation of idle funds and pushes the SPV to timely implement planned activities.
- Interest on Idle Funds: Any interest income must be remitted back to the Consolidated Fund of India. It is not to be treated as additional spending money for the SPV. This aligns with Government of India financial rules, which require interest earned on unspent public funds to be returned to the government exchequer.
- Cashless Transactions and PFMS Tracking: All payments and expenditures under the scheme must be made through bank transfers/ electronic means. No cash transactions are allowed for scheme funds. This ensures that every payment leaves a traceable record. Furthermore, the fund flow is integrated with the Public Financial Management System (PFMS) – allowing real-time tracking and reconciliation of every transaction against the planned budget lines. Each expense can thus be matched with its intended purpose in the approved plans, reinforcing financial discipline and transparency.
- Periodic Utilization Certificates (UCs): The SPV is required to submit periodic financial

reports, including Utilization Certificates for funds expended. These UCs must be certified by the SPV's Head of Finance/Accounts and verified by a Chartered Accountant. They attest that the funds have been used for the intended activities. The State Project Implementation Unit (SPIU) and/or the central PMU will review these certificates. No further fund release will be made to a cluster until UCs for at least 75% of the previous funds are submitted and accepted. This rule ties compliance in financial reporting to the flow of funds.

- **Real-Time Monitoring and Transparency:** An integrated digital dashboard will monitor fund releases and utilizations across all states and clusters. Key financial data (e.g. how much of the central share has been released to each SPV, percentage utilized, etc.) will be available to scheme authorities in real time. The National Steering Committee will review this data in its periodic meetings to identify slow-moving projects or bottlenecks. The ministry may also publicly disclose the performance of states and clusters in terms of fund utilization and achievements (a "scorecard"), thereby creating transparency and positive pressure. States or clusters that are slow in utilization may be highlighted in order to encourage prompt corrective action. This naming-and-accountability approach is intended to incentivize all stakeholders to maintain momentum and fully achieve the scheme's targets.

The NPMU in consultation with Integrated Finance Division (IFD) may issue required clarification from time-to-time.

5. Framework for Curriculum Design

- Currently, CTS courses run for a total of 1,200 hours annually, along with 150 hours of On-the-Job Training (OJT) and an optional 240 hours of add-on courses, bringing the total learning hours to 1590 (i.e., 1,200 + 150 + 240) in a year.
- The course structure includes Trade Practical, Trade Theory, and Employability Skills. Workshop Calculation & Science and Engineering Drawing for Engineering trades are integral parts of the trade syllabus as per the existing practice.
- Following the notification of the National Credit Framework (NCrF), every 30 hours of learning is equivalent to one credit. Accordingly, trainees earn 40 credits for 1,200 hours of training and 5 credits for 150 hours of OJT, totaling 45 credits. If the trainee opts for the additional 240-hour add-on course, they earn 8 more credits, bringing the total to 53 credits. This structure is aligned with the National Education Policy (NEP) 2020 and the NCrF.
- With the launch of the new scheme for upgradation of ITIs, there will be Scheme ITIs and Non-scheme ITIs. The course design should be such that it caters to the requirements of both Scheme and Non-scheme ITIs while leading to a common certification.

A novel approach would be adopted in designing the CTS courses. The courses can be modularized into segments of 240 hours each leading to 08 credits. The modular design consists of **core modules** that are standardized and applicable across all ITIs, and **specific modules**, which can be tailored to meet specific requirements.

5.1 Advantages of Modular Structure of Training: Modular learning is a versatile and effective approach to teaching and learning that offers numerous benefits for trainers and learners alike. Breaking down courses into self-contained modules aligned with learning objective and outcome leads to–

- flexibility in learning
- customization, and enhanced engagement
- more personalized and impactful learning experience
- Effective delivery of modular content on Learning Management Systems and online platforms and track learner progress efficiently

However, proper care needs to be taken that modules are properly designed and sequenced. As technology continues to advance, modular learning is likely to play an increasingly prominent role in training, offering new opportunities for innovation and improvement in teaching and learning practices.

5.2 Curriculum Design Under the Scheme

Under the new scheme, there is a scope of developing new courses/ modifying existing courses that cater to requirements of industries by involving them in the design and development stage of course. This will not only enhance the relevance of ITI training but also ensure that the workforce is equipped with the skills required for the jobs of the future. Many of the current courses may need to be modernized to incorporate the latest industry practices, technological advancements, and Industry 4.0 elements.

Structure for revising the existing curriculum: The course will be designed in two parts covering Theory, Practical and Employability Skills in 05 modules of 240 Hours (240x5= 1,200 Hrs)

Core Skills: 3 modules (720 hours) – This component will be common across all ITIs.

Specific Skills: This component will differ for Scheme and Non-scheme ITIs.

- **Non-scheme ITIs:** An additional 480-hour module (comprising 2 modules) will be common across the country. In addition, there will be an optional module of 240 hours and 150 hours of On-the-Job Training (OJT), totalling an additional **870 hours** of learning, over and above the 720 hours of Core Skills.
- **Scheme ITIs:** The combined duration of the special module, optional module, and OJT (i.e., 480 + 240 + 150 = **870 hours**) may be treated as separate components or as a single unit. The training Hubs will have the flexibility to design and deliver these components through institutional training, industrial training, online training, or hybrid modes, with necessary approvals from the Special Purpose Vehicle (SPV). However, the **structure of the curriculum** shall remain aligned with the existing system. The design of the specific modules should aim to ensure **employment opportunities** in industries associated with the Hub or in similar sectors. (*Key Performance Indicator: Percentage of employment*).

The hour wise distribution of the modules is as under:

	Scheme ITI	Non-Scheme ITI
Core Module	03 Modules Of 240 Hours = 720 Hours	03 Modules Of 240 Hours = 720 Hours
Specific Module	Special 02 Modules of 240 Hours = 480 Hours as per the need of Industry /SPV	Additional 02 Module of 240 Hours = 480 Hours
OJT	Minimum 150 Hours of OJT as per the SPV/Industry need	150 Hours of OJT or Group Project
Additional Module	240 hours special module as per the need	Optional module of 240 Hours

1. The structure of courses, Assessment & Certification:

Description	Courses under Non- Scheme ITI	Courses under Scheme ITI	Advantage & Flexibility given to SPV/Hub
Structure of the curriculum	All the courses will be modularized Each module will be of 240 Hours (08 Credit) 05 Modules of 240 Hours (240 x 5) totaling 1200 Hours (03 Core modules and 02 specific modules) Plus 150 Hours of OJT Another optional 240 Hours module for multi skilling or advance skilling. Totaling 1,200 +150+240 = 1,590 Hours and 40 +5 +8 = 53 Credits.	All the courses will be modularized Each module will be of 240 Hours (08 Credit) 03 Modules of 240 Hours (240 x 3) totaling 720 Hours (03 Core modules) Additional 02 special modules developed as per the requirement of SPV/Hub. In addition, minimum 150 Hours of OJT and another optional 240 Hours module for multi skilling or advance skilling as per the requirement of SPV/ Hub. Totaling (1,200+150+240) 1,590 Hours and (40 +5 +8) 53 Credits. SPV/Hubs also have the autonomy to train the passed-out trainees of CTS/ existing workers in the additional modules to prepare them as per industry need.	Only 03 Core Modules totaling 720 Hours are fixed as per CTS and 870 Hours (1590-720) may be customized by the SPV/Hub as per their requirement in line with existing structure. Either they may develop or choose any existing short-term courses. They can have additional OJT period as per the need. This will give the autonomy to the SPV/Hub of giving training according to the industry requirement whereas trainees will also get NTC certificate in the existing trade name (as 60% of basic course design of 1,200 hours will remain same. By taking existing trainees, SPV/Hubs may utilize their infrastructure in a better way.

Assessment and Certification	Existing assessment and certification will be followed: (i) Formative Assessment-200 marks (ii) Summative Assessment – a. CBT (Theory)- 150 marks b. Practical-250 marks Total of 600 Marks In the theoretical test, module wise question bank will be prepared and questions will come module wise, i.e. 30 marks for each module totaling 150 marks.	Existing assessment and certification will be followed for Computer based theory test at the end of each year including practical and formative assessment. In the theoretical test, module wise question bank will be prepared and questions will come module wise i.e. 30 marks for each module totaling 150 marks. There will be one single examination as per the existing practice covering all modules and passing will be decided on the marks of combining all modules together. The questions of 03 core module will be the same as existing CTS and for additional 02 module questions will be from the question bank developed by the HUB/SPV as per their requirement. The assessment criteria for these new modules, along with rubrics, also need to be developed by the SPV/Hub ITI. Formative marks (200 marks) and Practical marks (250 marks) will be given by the	This structure will provide autonomy to the SPV/Hub to award marks based on the training customized by them. Out of a total of 600 marks, only 90 marks (i.e., 30 marks for each of the 3 Core Skill modules) will be awarded as per the existing CT framework. The remaining 510 marks will be assigned by the Hub/SPV under the supervision of industry experts, distributed as follows: 200 marks for Formative Assessment, 250 marks for Practical Assessment, and 60 marks through Computer-Based Test (CBT). For the above special industry led training, SPV/Industry partners will issue certificate/s which will give trainees a cutting edge for employment. Provision may be created on SIDH portal to upload this certificate/s.
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		For management of quality the Assessment of formative and practical examination will be carried out through Learning Outcome Management System (LOMS). Industry may also conduct additional short-term courses. The assessment of additional courses separate assessment and certification can be done under supervision of SPV.	whereas trainees will also get the same well recognized NTC certificate in the existing trade name.
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2. Example of new modular structure of existing curriculum:

a. Engineering Trade:

Courses under Non-Scheme ITI	Courses under Scheme ITI
The Welder Trade course can include 3 core modules and 2 additional modules of 240 hours each. For example: • Core Modules each of 240 Hours (Mandatory for all trainees): ○ Welding Process and Safety Precautions ○ Welding Techniques ○ Workshop Calculation, Engineering Drawing and Employability skill • Specific Modules (Mandatory for all trainees): ○ Gas Metal Arc Welding ○ Gas Tungsten Arc Welding ✓ 150 Hours of OJT.	The Welder Trade course can include 3 core modules of 240 hours each, adding up to 720 hours. For example: • Core Modules (Mandatory for all trainees): ○ Welding Process and Safety Precautions ○ Welding Techniques ○ Workshop Calculation, Engineering Drawing and Employability skill Additionally, the rest of 870 hours may be divided, with minimum 150 hours of OJT, as per the requirements of the AIP and industry partner(s) • Minimum OJT of 150 hours. • The remaining 720 hours may be used for special modules, add-on courses, and OJT (in addition to the 150 hours of mandatory OJT)

Additionally, trainees may select a 240- hour optional add-on course from the following • Non-Destructive Testing of Welding • Fabrication and Fitting • Inspection and Quality Control • Industry 4.0	• Special Modules (SPV/ Hub may take any two from the list below): ○ Any module developed by the SPVs as per their specific needs ○ OJT ○ Gas Metal Arc Welding ○ Gas Tungsten Arc Welding ○ Repair & Maintenance Using Welding ○ Submerged Arc Welding ○ Structural Welding ○ Non-Destructive Testing of Welding ○ Fabrication and Fitting ○ Inspection and Quality Control ○ Industry 4.0 ○ OJT Additionally, SPV/Hub/ trainees may select a 240-hour optional add-on course from the following: • Any module developed by the SPVs as per their specific needs • OJT • Non-Destructive Testing of Welding • Fabrication and Fitting • Inspection and Quality Control • Industry 4.0
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b. Non – Engineering Trade:

Courses under Non-Scheme ITI	Courses under Scheme ITI
The Cosmetology Trade course can include 3 core modules and 2 additional modules of 240 hours each. For example: • Core Modules each of 240 Hours (Mandatory for all trainees): ○ Facial & Skin Analysis ○ Superfluous Hair ○ Personality Development and Employability skill • Specific Modules (Mandatory for all trainees): ○ Hair Styling ○ Manicure & Pedicure ✓ 150 Hours of OJT.	The Cosmetology Trade course can include 3 core modules and 2 additional modules of 240 hours each. For example: • Core Modules each of 240 Hours (Mandatory for all trainees): ○ Personality Development ○ Superfluous Hair ○ Facial & Skin Analysis and Employability skill • Special Modules (SPV/ Hub may take any two from the list below): ○ Any module developed by the SPVs as per their specific needs ○ OJT ○ Yoga ○ Salon Management

Additionally, trainees may select a 240-hour optional add-on course from the following: • Hair Coloring • Make up • Indian Traditional beauty concept	○ Spa Treatments ○ Hair Styling ○ Manicure & Pedicure ✓ 150 Hours of OJT. Additionally, SPV/Hub/ trainees may select a 240-hour optional add-on course from the following: • Any module developed by the SPVs as per their specific needs • OJT • Ayurvedic Cosmetology • Nail Art • Trichology • Hair Coloring • Make up • Indian Traditional beauty concept
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5.3 Development of new Courses:

The principles applied for existing courses will also be applied for development of new courses in modular format. SPV/Hub will also have the flexibility of developing any new course in the same line as the new modular structure to maintain the uniformity of CTS, i.e., 05 modules of 240 hours and 150 hours of OJT with optional 240 Hours as per their requirement and submit the redesigned and new courses to NCVET for approval, ensuring they meet national standards and qualifications. However, the approval process would follow a green channel and will be approved within a timeline of 15 working days after submission. However, course content and methodology of training will be decided by the Industry / SPV.

Since, under the provisions of the scheme, new courses will be developed at multiple levels—SPV, DGT (covering both Scheme and Non-scheme ITIs), – the roles and responsibilities for course development are outlined as follows:

- **Course Development at SPV Level:**

The SPV will monitor all Hubs and Spokes under its jurisdiction. Courses developed at this level will be **specific to the Scheme ITIs** within the respective SPV's jurisdiction. Training requirements may vary across different Hubs even within the same trade, and modalities of training may differ accordingly.

Courses will be developed by the Hubs in consultation with the SPV in a **modular format**, covering both Long-Term Training (LTT) and Short-Term Training (STT).

The finalized courses will be submitted to **NCVET for approval**, following due process.

- **Course Development at DGT Level:**

DGT follows a well-established process for course development through CSTARI, Kolkata. Areas of national importance or emerging sectors, where new courses are required, will be identified and developed in a modular format. These courses will be designed to be applicable across both Scheme and Non-scheme ITIs,

ensuring uniformity and scalability across the ITI ecosystem.

Provision for funding for all categories has been made which will be utilised for course and content development. For maintaining uniformity all the courses developed at different levels will be routed through CSTARI, Kolkata for submission to NCVET for approval. Similarly, the content development for all revamped existing courses and new course will be done at different levels and mode of training may be different however for uniformity these will be routed through NIMI, Chennai.

5.4 Content Development and Capacity Building in the scheme ITI:

Based on the curriculum developed by industry through SPV, the content needs to be developed along with resources for training. The standards of training will be monitored through Learning Outcome Management System.

- **Industry-Driven Content:** Collaborate with industry experts to develop course content that meets current and future industry demands, including case studies, real-world projects, and hands-on training.
- **Resource Development:** Create comprehensive learning materials, including textbooks, on the move digital content, instructional videos including AR/VR and e- learning modules. Develop question banks for both trainees and trainers for the newly developed and revised courses.
- **Digital Interface and Learning Outcome Management System (LOMS):** By creating a digital interface for mapping the entire cluster of Hub and Spoke ITI network, to enable real time data capture and linkages with the national MIS and Skill India Digital Hub (SIDH). Guidelines for the design of such LOMS with the help of common standards and interoperable IT infrastructure shall be part of the scheme guidelines.

The Learning Outcome Management System (LOMS) for the ITI ecosystem should be designed with a user-centric approach, ensuring accessibility and multi- language support to accommodate diverse learners. It must integrate a blended learning model, combining online theoretical components with hands-on practical training. The LMS should feature interactive and engaging content, including multimedia resources and gamification elements, to enhance student motivation. Furthermore, the incorporation of adaptive learning technologies like intelligent tutoring systems, learning analytics, and personalized learning pathways will enable the LMS to personalize learning experiences based on individual progress and performance, providing tailored content and assessments that meet the unique needs of each student. To support data-driven decision-making, the LMS should provide real-time analytics to monitor performance and feedback mechanisms to facilitate continuous improvement.

- **Assessment and Certification:** Develop assessment criteria that measure both theoretical knowledge and practical skills throughout the learning period using LOMS. Design certifications recognized by industry that can be stacked towards higher qualifications.
- **Train the Trainer Programs:** Develop and implement training programs for ITI instructors to equip them with the knowledge and skills needed to deliver the updated courses. Partner with industry leaders to provide hands-on training, workshops, and certifications for instructors

5.5 Pedagogy along with Blended Learning:

Different types of Digital Resources, Tools and Methodologies which can be used in Blended Learning in line with NCVET guidelines

Theory/ Lectures/ Trade Theory: Imparting theoretical and conceptual Knowledge

- a. Physical classroom teaching
- b. Delivery of Lectures through TV Broadcast
- c. Online Digital learning: Mode of learning: Audio/ Audio-video / podcast Lectures through Internet Web Channel
 - i. Non-interactive- One-way communication
 - ii. Interactive - Two-way communication- One-to-Many, Many-to-Many
 - iii. Online curated self-learning
- d. Online Digital learning: Components
 - i. Text, Presentations
 - ii. Audio/ Audio-Video – Instructional
 - iii. Illustration/ Graphic/ GIF, Instructional Photographic Images, Animation
 - iv. Simulators – 3D and 4D, Virtual Labs
 - v. Digital twins
 - vi. Augmented Reality (AR)/ Virtual Reality (VR)/ Extended Reality (XR) based learning
- e. Metaverse- immersive learning
 - i. Reference Material Online Digital learning: Place of learning
 - ii. Student/ Learner in a classroom with a teacher: Instructor/ teacher led learning
 - iii. Student/ Learner in a classroom, no teacher: AI/ Robot Led learning
 - iv. Student/ Learner anywhere without a teacher
 - v. Gamification for effective learning

5.6 Enhancing Training in ITI Skill Ecosystem

In the modern skill training landscape, the emphasis is shifting towards practical, hands-on learning. This approach not only prepares trainees for real-world challenges but also enhances their employability by bridging the gap between theoretical knowledge and practical application. For the ITI skill ecosystem, this means a transformative approach to practical training, characterized by:

i. Concept Building through Hands-On Experience:

- a. Practical sessions will focus on building strong foundational concepts.
- b. Emphasis will be on understanding the 'why' and 'how' behind each task, fostering deeper technical knowledge and critical thinking.
- c. Trainees will work on real-world scenarios and simulated environments to grasp

complex concepts effectively.

ii. Learning by Doing:

- a. A shift from traditional classroom methods to experiential learning.
- b. Trainees will engage directly with tools, machines, and technologies relevant to their trade.
- c. This approach not only builds muscle memory and technical competence but also instills confidence in executing complex tasks independently.

iii. Problem-Solving and Innovation:

- a. Practical sessions will incorporate problem-based learning to develop analytical skills.
- b. Trainees will be encouraged to identify, analyze, and solve real-life challenges, fostering creativity and innovation.
- c. Group activities and collaborative projects will be integrated to build teamwork and communication skills.

iv. Continuous Assessment, including through Technology-Driven LOMS:

- a. Learning Outcome Management Systems (LOMS) will be employed to track and assess practical competencies in real-time.
- b. Digital assessments and performance analytics will provide personalized feedback, ensuring continuous improvement.
- c. This data-driven approach will help instructors identify skill gaps and customize training accordingly.

v. Integration of Digital Tools and Smart Technologies:

- a. Practical training will increasingly utilize AR/VR, IoT, and smart manufacturing tools to mirror industry 4.0 practices.
- b. This integration will prepare trainees for the demands of modern manufacturing and digital workplaces.

vi. Industry Alignment and Employability Focus:

- a. Training modules will be co-developed with industry partners to ensure relevance to current and future job markets.
- b. Certification and assessments will be aligned with industry standards, enhancing the credibility and marketability of ITI graduates.

5.7 Practical Assessment Process for Vocational Training in scheme ITI:

To ensure quality and industry alignment in vocational training, a robust practical assessment process will be implemented, focusing on evaluating hands-on skills of trainees by:

1. Competency-Based Assessment:

Assesses specific job tasks as per Learning Outcomes (LO)/National Occupational Standards (NOS), ensuring independent task performance.

2. Formative Assessment:

Conducted periodically by trainers to monitor progress, identify gaps, and provide feedback through practical tests and on-the-job tasks.

3. Summative/Final Assessment:

Conducted at course end by external assessors through practical tests, viva voce, and workplace simulations.

4. Standardized Assessment Tools:

Use of practical task sheets, observation checklists, rating scales, workplace simulations, portfolios/logbooks, oral viva combined with practical tasks, and digital assessment platforms.

These assessment tools may include:

i. Practical Task Sheets / Job Sheets: List specific tasks to be performed in a simulated or actual workplace environment by using required precision, safety, time management, and technique.

- For example – Assembling an electrical circuit, or making Acme thread on a lathe machine.

ii. Observation Checklists: Through predefined criteria for evaluators to observe and record performance covering:

- Use of tools/equipment
- Safety practices
- Sequence of operations
- Quality of output

iii. Rating Scales: Provides a structured scoring guide with performance levels (e.g., Excellent, Good, Average, Poor).

- For example – Measures proficiency on a scale—typically includes criteria like accuracy, neatness, completeness i.e. through a standardized marking pattern.

iv. Workplace Simulations: Trainees are given real-world scenarios to handle under time-bound conditions.

- For example – Troubleshooting an HVAC unit, or driving a vehicle in the standard track.

v. Portfolios / Logbooks: Trainees should maintain a record of completed work, projects, or tasks which should be verified by instructors/supervisors.

vi. Oral Viva + Practical Combo: Oral questioning during/after hands-on tasks to check understanding of procedures, rationale, and safety by the external Examiner.

vii. Digital Assessment Platforms: Apps to be used by assessors to record performance digitally using predefined formats integrated with Management Information Systems (like Skill India Digital Hub or LOMS developed).

- Some use AI-enabled tools (e.g., video recordings for practical / viva).

These measures will help maintain objectivity, transparency, and industry relevance in skill evaluations.

5.8 On the Job Training in scheme ITI

The primary objective of On-the-Job Training (OJT) is to provide ITI trainees with practical, real-world exposure in industry settings, bridging the gap between classroom learning and professional skills, ultimately preparing them for successful careers in their chosen trades. ITI will identify and collaborate with industries that offer relevant training opportunities, ensuring that the collaboration is based on the industry's capability to provide quality training aligned with the ITI's curriculum.

The final evaluation of OJT shall be conducted in two parts: one by the Industry Mentor and the other by the External Examiner, each carrying 50 percent weightage. The External Examiner, appointed during the practical examination at the ITI, shall conduct a viva, evaluate the records and award marks accordingly.

DGT also offers the Dual System of Training (DST) for all CTS courses. This model can be effectively utilized by the SPV to provide trainees with enhanced industry exposure, thereby aligning their skills with real-world requirements.

5.9 Roles and Responsibilities of SPV/Hub ITI and DGT in Curriculum Development

To ensure the effective design, revision, and implementation of courses under the Craftsmen Training Scheme (CTS) and Craft Instructor Training Scheme (CITS), a structured approach to curriculum development is essential. This process involves a collaborative effort between the Directorate General of Training (DGT), CSTARI, NIMI, and Special Purpose Vehicles (SPVs) or Hub ITIs. The responsibilities are outlined as follows:

a. For Revision of Existing Courses:

i. Modularization of Existing Syllabus and Content:

- DGT, in collaboration with the Central Staff Training and Research Institute (CSTARI) and the National Instructional Media Institute (NIMI), will take the lead in modularizing all existing CTS and CITS syllabi.
- This process will involve breaking down the existing curriculum into clearly defined **Core Modules** (essential for foundational skills) and **Specific Modules** (covering advanced or specialized skills).
- The aim is to standardize the structure, enhance clarity, and ensure each module aligns with the National Skills Qualification Framework (NSQF).

ii. Development of Special Modules by SPVs:

- SPVs/ Hub ITIs will be responsible for developing two specialized modules tailored to their specific industry requirements for the courses they intend to run in their selected ITIs.
- These modules should address cutting-edge skills, niche technologies, or region-specific industrial needs, enhancing the employability of trainees.
- Once developed, these special modules must be submitted to CSTARI for alignment with the standardized structure to ensure uniformity and NSQF compliance.

- CSTARI will also conduct Trade Committee meeting to finalize the curriculum with the presence of members from SPV / Hub ITI, DGT, NIMI, NCVET and other stakeholders.
- This process will also include approval of NCVET to ensure alignment with national standards and industry expectations through green channel eliminating the need for stakeholder meetings and other extensive supporting documents.

b. For Development of New Courses:

i. End-to-End Module Development by SPVs/Hub ITIs:

- SPVs or Hub ITIs will have the primary responsibility for developing the complete curriculum for new courses.
- This includes identifying and designing all the required **Core Modules** (fundamental skills common across various trades) and **Specific Modules** (advanced skills unique to the trade or industry sector).
- The developed modules should reflect current industry practices, emerging technologies, and regional economic needs to ensure relevance and industry alignment.
- Once the draft curriculum is prepared, it must be submitted to CSTARI to ensure it adheres to the standardized structure and is NSQF compliant through Trade committee meeting with the presence of members from SPV / Hub ITI, DGT, NIMI, NCVET and other stakeholders. to maintain consistency across different ITIs and ensure seamless integration into the national skilling framework.
- These newly developed courses and contents will be sole property of DGT and may be used in any ITIs (Scheme or non-scheme) and NSTIs/ IToTs.
- The NSQF approval process will be through green channel eliminating the need for stakeholder meetings and extensive supporting documents in NCVET. The approvals will be granted within 15 working days from the date of submission, with a maximum of 5 days for comments from NCVET and 10 days for final approval and notification.

ii. Continuous Feedback and Improvement:

- SPVs and Hub ITIs should engage with different industry partners, training experts, and alumni to gather continuous feedback for curriculum improvement.
- Regular updates to these modules should reflect the evolving skill requirements of the industry, ensuring that trainees remain competitive in the job market.

iii. Coordination by DGT:

- DGT will play a critical role in overseeing the overall curriculum development process, providing technical support, and ensuring quality standards are met.
- DGT, in collaboration with NCVET, CSTARI and NIMI, will also be responsible for conducting periodic reviews to keep the curriculum up-to-date and industry-relevant.
- DGT will also develop new courses under CTS, CITS, short-term training, and

diploma programs, aligned with industry requirements and emerging future skills. This will include specialized modules in areas like employability skills, pedagogy, and other critical soft skills.

5.10 Additional information on Scheme ITI course framework:

- **Course Naming and Certification:** While the course name may remain the same (based on Core Skills), content may vary by trade and geography. Assessment will be in two stages: an industry-recognized certification (for the specific module) will form the basis for the final CTS certification. Industry-issued certificates, detailing acquired skills and industry association, will be uploaded on the examination portal for allocation of marks (equivalent to formative/OJT marks).
- **Spoke-Level Flexibility:** With SPV approval, Hubs may permit Spokes to collaborate with local industries or small enterprises to run customized programs suited for job creation, entrepreneurship, or livelihood enhancement—especially beneficial for hilly, remote, and North-Eastern regions.
- **Training Methodology and Monitoring:** Training methods will be defined by the Hub and approved by the SPV, ensuring that trainees are not engaged in labor work.
- **Trainer Development:** Trainers may be upgraded by industry partners or trained at ITIs, industry training centers, or within industries.
- **Industry Collaboration:** Industries can establish prototype training models in ITIs (Hub/Spoke) for training both trainers and students.
- **Integrated Training:** The model facilitates integration of Long-Term and Short-Term Training (LTT & STT).

6. Scheme Monitoring and Governance:

To make sure the scheme is implemented properly and delivers the expected results, a strong monitoring and governance system will be put in place. This system will include committees at the national and state levels, along with dedicated teams to support their work. These bodies will guide the scheme, review progress regularly, and make changes when needed.

A. National Steering Committee (NSC) –National Steering Committee chaired by Secretary, MSDE would provide the overall vision for the scheme, facilitate broad policy direction, finalize operational guidelines, monitor, and conduct course correction activities as defined below.

Composition of NSC

a) Secretary, MSDE – Chairman

Members

1. Director General, Directorate General of Training, MSDE
2. Additional Secretary/ Joint Secretary, MSDE
3. Additional Secretary/ Joint Secretary and Financial Adviser, MSDE

4. Member, Capacity Building Commission
5. Representatives, not below the level of Joint Secretary of Central Ministries of Education; Heavy Industries, Commerce and Industry; and Labour and Employment and one sector specific ministry on rotation basis (such as Ministry of Food Processing Industries, Ministry of Electronics and IT etc.)
6. Representative of NCVET
7. Principal Secretary / Representatives of three (3) state governments (on rotation basis)

Upto four (4) Industry/academia representatives nominated by the MSDE. The composition of the NSC may be revised from time to time by the MSDE.

Responsibilities of NSC: Main responsibilities with respect to the activities related to upgrading ITIs and NSTIs through the Hub-and-Spoke cluster model will include (illustrative):

- To approve scheme guidelines, give broad policy directions and reallocate funds across components within the overall scheme allocation as well as modification of minor components not envisaged (in line with broad concept of scheme) but required for successful implementation of scheme, within total approved cost of the scheme, in consultation with Integrated Finance Division (IFD), MSDE
- To approve State proposals to utilize an empowered society adhering to autonomous governance structure of the scheme, including state-led model, rather than a Section 8 company for a particular cluster.
- Approving the SPV SIPs.
- Approving and allocating the central component for funding the program implementation and reallocating funds across the component within the overall scheme allocation.
- Shall be responsible for overall oversight of NSTI transformation component of the scheme, including planned sector specific CoEs and global partnerships.

B. NPMU (National Project Monitoring Unit) — The Centre will set up a National Project Monitoring Unit (NPMU), led by the Director General of Training (DGT) head, with officers from DGT and other units within MSDE and its agencies, and consulting staff as needed. The NPMU will support the NSC and its key responsibilities will include:

- Acting as the executive arm of the NSC, ensuring decisions are implemented and working with State/UT PMUs to standardize processes and interventions
- Facilitating leadership discussions for the National Steering Committee
- Tracking fund disbursement and utilization across States/UTs, ensuring efficient allocation and plan for future fund asks from States/UTs
- Ensuring reliable and consistent data collection, performance monitoring, and reporting; regularly track progress against Disbursement Linked Indicators (DLIs) and Key Performance Indicators (KPIs) to assess program effectiveness.
- Developing and maintaining digital tools including Learning Outcome management System (LOMS), grievance tool, stakeholder surveys, etc.

- Evaluating scheme activities, identifying evidence-based effective practices, disseminating to relevant stakeholders
- Providing strategic, technical, and logistical support to NSC for effective communication and implementation e.g. address State/UT queries in consultation with NSC, social media campaigns, conferences
- Providing support and monitor implementation of key aspects of the program such as fiduciary, social, and environmental risk management.
- Gathering regular feedback from clusters, States/ UTs, industry, and other stakeholders to identify challenges, assess implementation gaps, and determining and organizing additional support needed for effective program execution.
- Compiling and escalating key challenges for the consideration of NSC.
- Coordinating with MDBs supporting the scheme, including appointment of the Independent Verification Agency.
- Authorizing payments of national share per the LAs/SIP. Publishing findings from annual field audits (templates to be provided) on KPIs like seat utilization, pass percentage (%), placement percentage (%), funds used, OJTs completed, etc.

C. State Steering Committee (SSC): The State Steering Committee (SSC), chaired by the Chief Secretary, shall serve as the apex body at the State/UT level for guiding and overseeing the implementation of the component 1 of scheme i.e. Upgradation of ITIs through Hub-and-Spoke Model. It shall review and recommend cluster-level Strategic Investment Plans (SIPs) and approve Annual Operational Plan (AOP), monitor the progress of implementation, ensure inter-departmental coordination, and facilitate convergence with other state initiatives. The SSC shall support stakeholder engagement with industry and academia, address implementation bottlenecks, and serve as the primary liaison with the National Steering Committee (NSC) by submitting progress reports, policy feedback, and funding requests. It shall be responsible for providing strategic direction for the scheme within the State and ensuring timely and outcome-based execution in alignment with national priorities.

Chairperson:

- Chief Secretary of the State/UT

Members:

- Principal Secretary, Department of Skill Development / Technical Education
- Principal Secretary, Department of Industries
- Regional Director, RDSDE, MSDE
- Secretary, Department of Finance
- Director/Commissioner, Department of Employment & Training (as Member Secretary)
- One or two industry representatives (nominated in consultation with industry associations)
- One academic or vocational training expert from a recognized institution
- Representatives from relevant sectoral departments, e.g., Labour, Education, MSME

(as per State context)

Roles & Responsibilities of the State Steering Committee (SSC)

a. Strategic Leadership & Oversight

- Provide overall direction and state-level coordination for the implementation of the ITI Upgradation Scheme.
- Guide alignment of the scheme with the State's industrial, skilling, and education priorities.

b. Review & Approve Cluster-Level Plans

- Review and recommend Strategic Investment Plans (SIPs) submitted by Special Purpose Vehicles (SPVs)
- Ensure that plans meet technical and financial criteria set by the scheme and reflect local skilling needs.

c. Facilitate Convergence & Inter-Department Coordination

- Enable convergence across state departments like Skill Development, Industries, Education, and Labour for integrated implementation.
- Ensure support from state-level schemes and resources, including land, trainers, infrastructure, etc.

d. Monitor Progress & Implementation

- Monitor implementation progress of ITI clusters, including civil works, equipment procurement, curriculum rollout, trainer deployment, and achievement of KPIs.
- Conduct periodic reviews (at least quarterly) and resolve operational bottlenecks.
- Evaluate industry participation and ensure timely fund release from State's share.

e. Stakeholder Engagement

- Serve as a platform for industry and academia to provide inputs into cluster development and curriculum modernization.
- Engage with sector-specific partners and promote industry-supported initiatives within the clusters.

f. Liaison with the National Steering Committee (NSC)

- Submit regular progress reports, cluster approvals, and funding requests to the NSC at the national level.
- Ensure compliance with national policy directions and guidelines issued from time to time.
- Represent State priorities, seek flexibility where needed, and highlight best practices or innovations.

g. Support Capacity Building and Digital Systems Rollout

- Facilitate the adoption of digital platforms such as the Learning Outcome

Management System (LOMS), student feedback systems, and e-content tools.

- Oversee capacity building of State PMU, SPV teams, and ITI faculty involved in the scheme.

D. State Project Monitoring Unit (SPMU) – Each State/UT will set up a State Technical PMU within the State Department for Skills and Entrepreneurship to oversee program implementation at the State/UT level and to provide technical and executive support as needed to the State Steering Committee (SSC) and ensure the program stays on track. The PMU may bring in additional partners/consultants as needed, support industry outreach and onboarding, collect data, organize review meetings, and assist the SSC in enhancing on-ground execution. On-an-average four (4) members/consultants will be allowed. If the States/UTs so desires, it may engage two (2) Young Professionals in lieu of one (1) PMU consultant. The terms of engagement for Young Professionals will be governed in accordance with NITI Aayog guidelines.

The PMU, headed by the Director of the Skills Department, may include an industry expert, and a data analyst dedicated to the scheme. These personnel may either be assigned from the Department of Skills or engaged as consultants.

Functions:

- Track fund disbursement and utilization across clusters, ensuring efficient allocation and plan for future fund asks from clusters, prepare utilization certificates
- Facilitate leadership discussions for the State Steering Committee
- Regularly track progress, including through the appointment of an Independent Monitoring Agency (IMA)², against Disbursement Linked Indicators (DLIs) and Key Performance Indicators (KPIs) to assess program effectiveness and enforce performance management framework⁴ and report to the SSC with recommendations for improvement / course corrections
- Regularly track progress of implementation of key aspects of the program such as fiduciary, social, and environmental risk management, and grievance redressal
- Provide strategic support for effective communication and implementation e.g. resolve SPV queries in consultation with State/UT and Centre
- Raise key challenges with the State Steering Committee for timely resolution, including onward transmission to the NSC as appropriate.
- Support broader program success, e.g. orchestrate coordination amongst industry, cluster, State and Centre, engage with industry, lead branding exercises etc.
- Coordinate with MDBs supporting the scheme.
- Authorize payments of State contributions per the LA

E. Independent Monitoring Agency (IMA) – State shall appoint an IMA selected through transparent process, to be funded through the administrative and monitoring budget under the scheme. The roles of the IMA include:

- Carrying out project monitoring as per milestone schedule, performance tracking, milestone verification, and certify milestone completion based on tracking, and

² The SPMU may appoint one or more IMAs as it deems appropriate for the number of established SPVs.

trigger release of project-level tranches based on verified progress

- Collecting primary data relevant for KPI measurement to track project progress from the SPV
- Carry out the functions as set out in the Licensing Agreement including calculating performance against KPIs defined in the project agreement between the SPV and the state government

Annexures

(The following Annexures provide detailed reference materials and templates to support the implementation of the scheme. The templates annexed in these Guidelines are model formats meant to guide States and Union Territories. States/UTs may suitably adapt or modify these templates as per their local context and requirements. The Ministry may issue necessary modifications or clarifications from time to time to keep these documents aligned with evolving implementation needs.)

Annexure 1: Strategic Investment Plan (SIP) Template (Sample)

A suggested structure for the Strategic Investment Plan that each AIP/Industry partner must prepare for each Hub and Spoke Cluster, including key sections and information required.

Template for Strategic Investment Plan (SIP) for H&S Cluster

Details of Hub-Spoke ITI Clusters	
Contact Name, Title, Tel, Email of bidder/Industries	AIP or AIP lead consortium

#	Section
1.	Introduction
2.	Financial Details: Budget Overview, Sources, and Application of Funds
3.	Vision, Mission, and Strategic Objectives
4.	New and Revised Courses Proposed Based on Demand and Gap Analysis - Long-term (CTS, Diploma), - Industry-certified programs - Other demand-driven and innovative programs
5.	Proposed Industry and Employer Linkages
6.	Innovation Proposed in Training Program, and Pedagogy
7.	Capacity Building Plan for ITI Leadership and Instructors
8.	Infrastructure Modernization and Development Plan (including digital infrastructure)
9.	Gender Equity and Social Inclusion Strategy
10.	Monitoring, Evaluation, and Performance Measurement Framework
11.	Governance Structure and Management Framework
12.	Strategy for Financial Sustainability and Scalable impact
13.	Stakeholder consultation, Engagement and Communications strategy
14.	Risk Identification, Assessment, and Mitigation Plan
15.	Template 1: Baseline Characteristics of Hub and Spoke it is
16.	Template 2: Budget allocation of the last three financial years
17.	Template 3: Five-Year Strategic Investment Plan and Budget for ITI Consortium
18.	Template 4: Performance Indicators for Measuring Success
19.	Template 5: Implementation Gannt Chart

Instructions for the Preparation of the Strategic Investment Plan (SIP) (Part -1)

1. **Overall Guidance Note** (*to be read in conjunction with the Scheme Document; this section is for preparatory guidance only and may be deleted during final SIP submission.*)
2. In **alignment** with the PM- SETU, each State and Union Territory (UT) shall facilitate the establishment of the Industrial Training Institute (ITI) Hub and Spoke Cluster. When submitting recommended SIPs of Hub and Spoke ITI Cluster to MSDE, states are required to attach commitment letters to fulfill the state's obligation of staffing, Scheme funding, and implementation of regulatory reforms, as specified in the scheme document.
3. Each Anchor Industry Partner (AIP) shall prepare a **Five-Year Strategic Investment Plan (2025–2030)** articulating a clear vision, strategic priorities, and investment roadmap to transform the quality and relevance of ITI training delivery which shows alignment with the overall purpose of the scheme to increase employability of graduates of ITIs. SIP shall be evidence-driven, rooted in local economic analysis, and developed through **multi- stakeholder consultation** involving industry, ITI instructors, students, academia, etc. SIP should be based on local job market studies, analysis of industry value chains, and discussions with experts from different sectors.
4. AIPs/SPVs are encouraged to align their investment plans with identified **priority sectors**, including but not limited to advanced and smart manufacturing, heavy engineering, automotive, textiles and garments, construction, process industries, electricals, electronics and telecommunications, food processing, building interiors, and consumer durables.
5. The SIP must demonstrate innovation in training design and delivery, with an emphasis on technology integration, blended learning, and modular curriculum aligned to existing and emerging job roles. The aim is to enhance the scale, quality, and labor market outcomes of graduates from the ITI ecosystem.
6. The total investment for Hub ITI and each Spoke ITI shall not exceed Rs 80 Crore and for Rs 40 Crore respectively, inclusive of all capital and operational components. Within this overall financial ceiling, expenditure on civil infrastructure shall not exceed 20% of the total approved budget. SPV shall ensure optimal allocation between physical infrastructure, digital capabilities, faculty development, and program innovation.
7. The SIP is a strategic document focusing on demand-driven and industry-aligned courses, industry linkages, innovative approaches to program design and delivery, staff training, infrastructure development, gender and inclusion strategies, monitoring and evaluation systems, governance and management frameworks, financial and institutional sustainability. A comprehensive stakeholder engagement and communications plan may also be developed and included in the SIP budget. Each section of the SIP should describe the action, articulate expected outcomes, responsible entities, timelines, and budget requirements.
8. SIPs will be operationalized through Annual Operation Plan (AOP) which will include Annual Work and Budget Plans (AWBP). This Annual Operation Plan (AOP) will be submitted to SSC for approval before the start of the financial year. SIPs could be amended as needed by the SPVs. However, amendments with financial implications and impacting on the mandatory KPIs will need to be approved by the State Steering Committee and the National Steering Committee.

i.

10. Template 3 consolidates the total budget required for implementing the Five-Year Strategic Investment Plan. Proposals must transparently disclose all sources of funding, including ongoing or expected support from State Governments, public-private partnerships, or other externally aided projects. Template 4 is Gantt Chart on the implementation timeline. Template 5 provides the evaluation criteria and scoring rubric.

Instructions for the Preparation of the Strategic Investment Plan (SIP) (Part -2)

Section	Instruction
Detailing on ITI and Local Economy	- List the hub ITI and its associated spokes, - Outline the characteristics of the local community, including the economy, key industries, labor market trends, and population demographics. - Specify the key trades, sectors and programs that will be offered to align with industrial needs
Details of Anchor Industry Partner	Details of the anchor industry partner (AIP) and its associated industry partners/ and institutional collaborators (if any).
Budget and Financing	- Provide the annual recurring and capital budget for the hub and all spokes for the last 3 years. - Indicate the sources of financing (central, state, industry, income generation, grant-in aids etc). (Refer. Template 2)
Vision and Mission	State the rationale for selection of the Hub and Spoke ITI Cluster. Define the vision, mission, core strategies, and unique value propositions that add value to the proposal.
Detailing on New and upgradation of courses proposed for CTS, Short term and any other program	- Provide details of labour market demand analysis to identify current and future employment opportunities. - Details of CTS courses to be upgraded. - Details of New CTS courses to be proposed and mechanism adopted. <i>(This process will involve consultations with industry experts, governments, and other stakeholders to establish priority trades and courses. It is important to consider foundational learning as part of the course development. Modules such as language, digital skills, career guidance counselling, could be embedded into the new courses, or as electives or extracurricular activities).</i> - Details of new short-term courses to be developed or adopted. - Explain the course development or upgradation process, including consultations and approval/ accreditation sought. Explain how the SPV, along with Hub and Spoke ITIs and industry partners will work together. Which courses or modules will be offered at which institutions? Whether the courses and modules offered are gender neutral and are also designed for the differently abled people? How will faculty and facilities be shared across institutions? How will all students be able to learn different courses in the hub and spokes? Provide evidence of: - skills demand and/or potential for expansion of this demand. - the presence of industrial linkages involving these programs. - perceived advantages for institutions and students through the programs

Proposed Industry and Employer Linkages	• Partnerships with industries and employers. This may include financial supports, technology know-how support • Detailing on proposed apprenticeships and faculty industry attachment. • Development of customer-ordered industry-commissioned training programs and establishing “learning factories” • Detailing on proposed sharing of technology and production equipment’s • SIP can also provide proposed solutions if any for small and medium enterprises e.g. R&D solutions etc • Proposed MOUs with companies for employment, apprenticeships, funding etc <i>(Other details may include engaging industries in the development of standards, curriculum, and training programs, through technical committees, details of Jobs, and competency standards required in Industries, identifying specific industries that has potential for absorbing different categories of differently abled people and develop standard, curriculum and training programs. Organizing alumni and industrial outreach)</i> The SPVs need to clearly articulate which types of industry partnerships are being provided in the SIP and attach letters from all the collaborating industries.
Innovation in Training Program Design, Delivery, and Technology Integration	• Innovation in program design and delivery. • Innovative programs for Occupational Health & Safety, Industry 4.0 occupations, and entrepreneurship. • Initiatives like incubation centers, Atal tinkering labs, industry-commissioned specialized training, and industry-certified programs. Joint or sandwich programs with Indian or Foreign partner. • Innovative pedagogy like hybrid learning, student-centered and adaptive approaches, VR/AR labs, interdisciplinary and project-based learning, skills competitions, R&D, and on-the-job training.

ITI Leadership and Instructor Capacity Building Plan	• Plan for continuous professional development of ITI leaders, trainers, and staff. • Proposed Partnerships with National Skill Training Institutes (NSTIs) or other educational institutes such as the Indian Institute of Management or Institute of National Importance (INIs) etc. • Recruitment plans for existing vacancies and new trades. <i>(Staff professional development should begin with a training needs assessment to identify gaps in academic knowledge, technical competencies, and teaching methodologies. Strategies/Plan for assessment can be provided in this section. Once these assessments are conducted, the SPV should implement a staff development plan that includes industrial attachments, ongoing training in pedagogy, ICT, training of the trainers, student management, and internship supervision, fostering a culture of continuous professional growth.)</i> • Plans for appraisals, incentives, and flexible HR arrangements may be outlined to enhance motivation and retention among instructors. • Provide clear policies for competitive selection of key leadership roles of SPV.
Upgradation Plan including Infrastructure Development Plan and labs	• Outline necessary investments in civil infrastructure (e.g., classrooms, hostels, workshops), including digital infrastructure, and procurement of state-of-the-art equipment. (The SPVs are encouraged to develop a long-term infrastructure master plan first before deciding which specific civil works projects will be supported under the scheme, explain how investments have been prioritized across Hub and Spoke ITIs. Highlight gender-inclusive, climate resilient and accessible infrastructure. Highlight if any assistance of finance is proposed through other schemes of state/centre/existing collaborations.) • Development of sports facilities, incubation centre, production centre etc <i>(Note: In case of upgradation of existing facilities or development of facilities, a checklist-based audit will be conducted and all-inclusive improvement (including improving solid, liquid waste management, energy efficiency, universal access, Health & Safety, etc) may be made part of SIP and implemented while constructing/upgrading.)</i>

Gender and Inclusion Plan	• State current gender ratios in local community and ITI • Define strategies and actions for improving women's participation, especially in non-traditional trades. Address multiple layers of exclusion (e.g., SC, ST, PWD). • Define indicators to monitor progress.
Measuring Performance and Outcomes	• Define performance indicators • Define systems/mechanisms that would be established to produce these indicators. <i>(Note: The indicative full set of performance indicators and measurement methodology can be found in Template 3)</i>
Governance and Management	• Provide the details of participating institutions, industry partners in SPV Board proposed by AIP/Industry Consortium. • Management Team: Provide details of SPV Management proposed with proposed organogram. • Hub and Spoke Relationship: Provide detailing on relationship of Hub ITI and Spoke ITI
Sustainability and Scalability	• Detail out sustainability plans including both institutional and financial sustainability. <i>(Explain how financial sustainability can be improved through income generation, both during and beyond the duration of the national scheme. Detail how the SPV intends to ensure long- term impact.)</i>
Stakeholder Engagement and Communication	• Detail out stakeholder engagement, communications strategy.
Risk and Mitigation Strategies	• Detail out key risks (internal and external) for implementation • Provide mitigation strategies for each identified risk.

Template 1: Baseline Characteristics of Hub and Spoke ITIs

	Hub ITI [name]	Spoke ITI [name]	Spoke ITI [name]	Spoke ITI [name]	Add columns as needed
Year in operation, current grading of ITI(s)					
Current ITI management and IMC composition (if IMC is present) ⁵					
List of courses offered					
Number of enrolled students in the last three years (for courses, by gender and category — General/SC/ST/OBC).					
Number of graduates last year by courses (for courses, by gender and category General/ SC/ST/OBC), and specify proportion who are employed and other information about labor market outcomes					
Number of instructors (total disaggregated gender wise data, types of contracts, sanctioned post, vacancies by course, by gender).					
Size and condition of classroom and					
workshop facilities. Specify total area.					
Composition of Internal Complaint Committee to address workplace safety and its effectiveness from number of GRM registered, resolved; training undertaken and submission of Annual reports					

⁵ Provide disaggregated information

Template 2: Budget allocation of the last three financial years across the proposed ITIs for the cluster

Budget Component	Estimated Annual Budget (₹ Lakhs)	Source of Financing Center/State/ Industry-CSR/ Others	Year 1 2021-22	Year 2 2022-23	Year 2023-24	Remarks
Total Recurrent Expenditure						
Faculty Salaries						
Non-teaching Staff Salaries						
Maintenance of Infrastructure						
Utilities (Electricity, Water, Internet)						
Consumables / Raw Materials for Training						
Scholarships, Internship/ Ap apprenticeship and Welfare Programs such as Stipends to eligible women, SC/ST/PWD students						
Total Capital Expenditure						
Infrastructure Development						
Equipment Procurement						
ICT based						
System for monitoring and reporting of labour welfare measures						
Total Annual Budget						

Template 3: Five-Year Investment Plan Budget for ITI Consortium

Investment Activity	Objective	Baseline	Five - year target					Expected Outputs	Potential Direct Beneficiaries (with estimated numbers)	Investment Required	Sources of funding	Timelines
			Year 1	Year 2	Year 3	Year 4	Year 5					
Strengthening ITI Hub - and - Spoke Governance and Management												
Institutionalizing Industry Linkages												
Develop and Implement Demand - Driven, Industry - Aligned Training Programs												
Capacity Building of ITI Leadership and Instructors												
Upgrading Key Infrastructure, Training Facilities, and Equipment												

Investment Activity	Objective	Baseline	Five - year target					Expected Outputs	Potential Direct Beneficiaries (with estimated numbers)	Investment Required	Sources of funding	Timelines
			Year 1	Year 2	Year 3	Year 4	Year 5					
Implementing Technological Innovations in Training Delivery												
Supporting Women, SC, ST and PwD Enrolment and Completion												
Building Entrepreneurship Skills and Start-Up Support												
Monitoring and Evaluation System Accessible system for Grievance Redress Mechanism												

Summary Form of Strategic Investment Plan (SIP)

- 1. Executive Summary** — Overview of the cluster (Hub-and-Spokes, locations, key industry sector focus), vision and goals of upgradation, summary of investment required and expected outcomes.
- 2. Cluster Profile** — Baseline data for Hub and each Spoke: year established, courses/trades, current capacity and enrollment, pass and placement rates, staff strength, infrastructure facilities available, notable partnerships or achievements. Include socio-economic context of the area (industries present, skill gaps).
- 3. Needs Assessment & Gap Analysis** — Identified gaps in infrastructure, training quality, industry relevance, etc., through diagnostic studies or stakeholder consultations. For instance, list of equipment that is outdated or trades with obsolete curriculum, etc., and the improvements needed.
- 4. Upgradation Plan** – Detailed plan with sub-components:
 - *Infrastructure Development:* Civil works (new buildings, renovations) with specifications (e.g., construct new workshop of 500 sqm, renovate 10 classrooms, etc.), site readiness issues, and implementation timelines.
 - *Equipment & Technology:* Trade-wise list of machinery, tools, IT hardware to be procured; quantity, estimated cost, and justification (e.g., CNC lathe – 2 units – to train 30 machinists/year).
 - *Curriculum and Courses:* List of new courses to introduce (with duration, target annual intake), existing courses to be phased out or revised, modular structure adoption plan, alignment with NSQF/NCrF levels.
 - *Faculty and HR:* Recruitment plan for new instructors or staff (numbers, profiles), training plan for existing faculty (areas/topics of ToT), any management staffing for SPV (CEO, admin, M&E officer, etc.).
 - *Digital Integration:* Plan for implementing LOMS and digital classrooms – internet connectivity arrangements, hardware procurement for IT labs, digital content creation if any by the cluster.
 - *Industry Partnerships:* Roles and contributions of Anchor and other industry partners – e.g., internships for X students/year at ABC Corp, industry expert lectures schedule, equipment donation commitment, etc.
 - *Outreach & Mobilization:* Strategy for student mobilization (awareness campaigns, counseling workshops), focus on increasing female enrollment or other target groups.
 - *Sustainability Measures:* How the cluster will generate revenue or manage costs post-scheme.
- 5. Implementation Timeline** — Gantt chart or phased timeline showing sequence of key activities: SPV setup, procurement milestones, civil works start/finish, course launch dates, etc. Identify critical path items.
- 6. Institutional Arrangements** — Details of SPV (promoters, proposed Board composition), coordination with state department, roles of key officials, any capacity building needed for implementation.

7. Cost Estimates – Detailed budget tables:

Breakup by component (civil works, equipment, training, admin, etc.) and by year.

Cost assumptions for each item (e.g., unit costs).

Contingency provision (if any, say 5–10%).

Summary of total cost for cluster.

8. Financing Plan — Sources of funds aligned to costs: central share, state share, industry share, any other (CSR, etc.). Indicate when each source will be injected (e.g., State ₹X crore in Year1, ₹Y in Year2, etc.). Ensuring this matches cost-sharing ratios.

9. Expected Outcomes & KPI Targets — Table of key performance indicators with baseline value, annual targets, and final target (for end of project).

10. Risk Assessment & Mitigation — Identify major risks (e.g., delay in civil works due to monsoon, difficulty in finding qualified trainers, industry contribution shortfall) and mitigation strategies.

11. Approval and Endorsements — Section for signatures of preparation team (AIP lead, ITI principals, etc.), endorsement by State department or SSC before forwarding to NSC.

(This template will guide clusters in preparing comprehensive and standardized SIPs. Actual SIPs may include additional annexes like detailed equipment specs, architectural drawings, etc., as needed.)

Annexure 2

Table: Evaluation Criteria

Dimension	Criteria	Sub-criteria	Rating mechanism	Weightage (marks)
A. HR Plan	HR Managerial Capacity	Proposed managerial level HR plan for the SPV, including capacity building of existing ITI staff.	Credentials of proposed SPV CEO and Management of SPV	5
			Plan for capacity Building of Existing and HR management of existing ITI staff/ Trainers	5
			Plan to induct industry level/ lateral hires as Master Trainers/ Academic Deans/ Subject Experts	5
			Filling of vacancies through contractual staff until permanent staff is hired by State Government	5
				20 Marks

B. Employment Outcomes	Employment Potential over baseline	Overall employment outcomes to be achieved as per the SIP over the baseline	Placement (Increase in share placed over baseline)	10	
			Apprenticeship (Increase in Share of those engaged as Apprentices)	2	
			Salary growth of placed students over baseline	5	
			Overseas Mobility Opportunities envisaged	3	
				20 Marks	
C. Operational Plan and Strategy	Inclusion and Outreach plan	Proposed outreach to underserved groups (SC/ ST/ others identified)		2	
		Proposed increase in female share of enrolment over baseline		5	
		Aspirational districts/ NER region as part of the cluster		3	
					10 marks
	Curriculum strategy - diversity and innovation	Plan for Re-design of Existing Courses	Qualitative Assessment	5	
		Plan to introduce courses in new age areas/ IR 4.0/ Green/ Digital/ Advanced		5	

		Manufacturing		
		Plan for non-ITI courses –shorter courses, work-based Diplomas, Executive programs, etc.		5
		Innovation in pedagogy/ technology enabled learning, AR/VR, etc.		5
				20 marks
	Infrastructure and Facility Management	New capex development strategy; Infra maintenance strategy (blueprint for an inclusive, climate, and disaster resilient and sustainable capex plan and civil infra upgradation ³)		5
		Fungibility of equipment and machinery proposed		5
				10 marks
	Strength of Industry engagement & in-house absorption of pass-outs	Industry engagement strategy (MoUs, DSTs, OJT partnerships planned)		2

³This shall include overall redesign and upgradation of existing equipment and civil infrastructure, with some weightage for energy efficient equipment, climate & disaster resistant infrastructure, and overall environmental sustainability

		Extent of in-house absorption of pass-out by AIP and its partner/ supply chain/ vendors		5
		Size of the cluster proposed	Standard- 5(1:4) Cluster of 6-7 ITI Cluster of 8-10 ITI	3
D. Sustainability Plan	Extend of sustainability envisaged for the cluster	Plan for building revenue stream from activities like Production Centre, fee-based courses, etc. over the years		10
				10 marks
				100 marks

Financial Evaluation Criteria

The State Steering Committee will evaluate the Strategic Investment Plan (SIP) based on the technical capabilities and financial support proposed by industry partners for the upgradation of the Hub and Spoke Cluster.

Based on the evaluation, three scores shall be assigned:

- 1. Technical Score – X**
- 2. Financial Score on overall costing – Y**
- 3. Final Score on Industry Contribution – Z**

The weightage for calculating the final score shall be 50:50. The Final Score shall be computed using the following formula:

$$\text{Overall SIP Score (Sn)} = [Xt \times 0.5] + [Yt \times 0.3] + [Zt \times 0.2]$$

Where:

- 1. Sn** = Final Score of SIP
- 2. Xt** = Technical Score of SIP, based on technical parameters mentioned in Table 2

3. **Yt** = Financial Score, based on the cost per unit technical score secured and calculated as follows:

- **Cost per unit technical score (A)** = Total Financial Outlay ÷ Xt
- **Yt** = (Amin ÷ A) × 100

4. **Zt** = (F ÷ Fmax) × 100, where:

F is the share of industry proposed by the AIP/Consortium in percentage of total outlay of SIP.

17% would be the minimum industry share as mandatory/essential condition (i.e., 17% of the total project cost submitted for the Hub and Spoke Cluster).

Each State/UT, through the State Steering Committee will determine it's technical score cut-off as per its discretion.

Annexure 3

ITI UPGRADATION SCHEME | SHAREHOLDERS' AGREEMENT | TERM SHEET

The Ministry of Skill Development and Entrepreneurship, Government of India (“**MSDE**”) intends to undertake the upgradation of industrial training institutes (“**ITIs**”) across the country under a PM- SETU (“**Scheme**”) implemented through the public- private partnership (“**PPP**”) model. Under the Scheme, it is proposed that the right to upgrade, operate and manage an identified cluster constituting of a ‘hub’ ITI and a number of associated ‘spoke’ ITIs (collectively, a “**Hub-and-Spoke Cluster**”) will be granted to a special purpose vehicle (“**SPV**”) whose shareholding will be held by an anchor industry partner (“**AIP**”)⁶ chosen through a process of selection through a transparent process, the Central Government, and the relevant State Government.

The terms of this arrangement will be governed by:

- a. a license agreement (“**License Agreement**”) that will record the terms and conditions on which the right to upgrade, operate and manage a Hub-and-Spoke Cluster will be granted to the SPV by the relevant State Government; and,
- b. a shareholders’ agreement (“**SHA**”) that will record the rights and obligations of the AIP, the Central Government, and the State Government, as shareholders of the SPV and provide for the internal governance and management of the SPV.

This term sheet sets out below an indicative list of the key terms and principles that will be incorporated into the SHA.

DETAILS OF THE SPV AND SHAREHOLDERS

1 SPV

The SPV will be a non-profit entity with the charitable object of the promotion of vocational education by means of the upgradation and management of ITIs in accordance with the terms of the Scheme.

The SPV will be incorporated as private limited company⁷ limited by shares with charitable objects under, and in accordance with the terms of, Section 8 of the Companies Act, 2013.

The name, and the location of, the registered office of the SPV will be mutually agreed between the Shareholders (as defined below).

⁶**Note:** This term sheet has been prepared for an SPV structure involving one AIP. The State Steering Committee may appropriately modify the structure and the mechanics proposed in this term sheet for structures involving more than one AIP or a consortium of AIPs in the SPV.

2 Shareholders and Parties

The shareholders of the SPV, upon its incorporation, will be as follows (collectively, “Shareholders” and “Parties”):

- (a) the AIP;
- (b) the Central Government; and,
- (c) the relevant State Government.

All Share holders will also be parties to the SHA.

3 Shareholding Pattern

The initial shareholding pattern of the SPV upon its incorporation will be as follows:

AIP	51.00%
Central Government	24.50%
State Government	24.50%

The SPV will be incorporated with a nominal authorized, and paid-up, share capital of INR 1,00,000 (Indian Rupees One Lakh), with each Shareholder contributing to the paid-up capital of the SPV in proportion to its respective shareholding in the SPV as set out in the table above.⁸ The share capital will comprise equity shares having a face value of INR 10 (Indian Rupees Ten) each.

⁷**Note:** A company incorporated under Section 8 of the Companies Act, 2013 can be incorporated as a private company or an unlisted public company. One key difference between a private company and a public company is that a private company requires a minimum of 2 (two) shareholders, whereas a public company requires a minimum of 7 (seven) shareholders. Given that the SPV is intended to be incorporated with 3 (three) shareholders, the SPV should be a private limited company.

⁸**Note:** It is proposed that the SPV be incorporated with an initial paid-up share capital of INR 1,00,000 (Indian Rupees One Lakh) for the following reasons: (a) we understand that the intent of the MSDE is to ensure that the financial assistance from the Central and State Governments is in the form of grants rather than equity contributions. The equity contribution of the Central Government and the relevant State Government to incorporate an SPV with an initial paid-up capital of INR 1,00,000 (Indian Rupees One Lakh), would be INR 24,500 (Indian Rupees Twenty-Four Thousand and Five Hundred) each; and (b) having an initial paid-up share capital of INR 1,00,000 (Indian Rupees One Lakh) is standard practice. However, please note that the Companies Act, 2013 does not prescribe any minimum or maximum value for initial paid-up share capital of a company.

4 **Objects**

- (a) The object of the SPV shall be, inter-alia, to operationalize, manage, and upgrade a designated hub-and-spoke cluster of Government ITIs under the PM- SETU, as per the scheme guidelines and approved Strategic Investment Plan (SIP). This includes transforming these ITIs into modern, industry-aligned, aspirational institutes through the introduction of new trades, upgradation of existing courses, enhancement of training infrastructure, and alignment of curriculum with evolving industry needs. The SPV shall also be responsible for ensuring training delivery and improved employment outcomes through robust industry collaboration.
- (b) The SPV shall undertake initiatives for capacity building of trainers and instructors, including the design and delivery of pre- service and in-service training programs. It shall promote applied research, innovation in skilling pedagogy, development of digital learning content, and introduction of technology-driven training methods. The SPV may also establish facilities such as production centres, incubation units, and training centres for working professionals, to enhance financial sustainability and local enterprise development. It shall advise and collaborate with government bodies and industry to evolve governance and accreditation frameworks for skill development institutions.

Together, these objectives shall constitute the “Objects” of the SPV and shall be detailed in the Shareholders Agreement (SHA) and the Memorandum of Association (MoA) of the SPV.

MANAGEMENT AND ADMINISTRATION

5 **Key Managerial Personnel**

- (a) CEO: The board of directors of the SPV (“Board”) will appoint a chief executive officer (“CEO”), who will be the executive head of the SPV and will be responsible for the day-to-day management of the SPV. The CEO will be a person nominated by the AIP, and will be a director on the Board.⁹

⁹**Note:** The Concept Note for the National ITI Upgradation Scheme prepared by the MSDE provides that: (a) the CEO will be appointed by the Board of the SPV after following a transparent recruitment process, and (b) the CEO (with the management team) will run the everyday affairs of the SPV. However, the intent of the Scheme is for the AIP to drive the operations of the SPV. We have proposed a construct under which the Board will appoint the CEO, who will be a person nominated by the AIP. This will ensure that the AIP has greater operational control over the SPV, by virtue of having the power to appoint the majority of the Board (aggregating to a total of 6 (six) directors out of the 11 (eleven) directors on the Board, consisting of 5 (five) AIP Directors and 1 (one) nominee of the AIP who will be appointed as the CEO).

6 Board and Committees

(b) Key Managerial Personnel: The Board may appoint 'key managerial personnel', as such term is defined in the Companies Act, 2013 ("**KMPs**") other than the CEO in accordance with applicable laws.

(a) Board: The maximum authorised size of the board of directors of the SPV ("**Board**") will be 11 (eleven) directors, of which at least 1 (one) director shall be a woman at all times, to be constituted as follows:

- i. the AIP will have the right to nominate 5 (five) directors to the Board (collectively, "**AIP Directors**");
- ii. the Central Government will have the right to nominate 2 (two) directors to the Board ("**Central Government Directors**") which may also include eminent representatives from premier Higher Education Institutions (HEIs);
- iii. the State Government will have the right to nominate 2 (two) directors to the Board ("**State Government Directors**");
- iv. the Board shall nominate 1 (one) representative of the existing ITI level leadership of the Hub-and-Spoke Cluster; and,
- v. the CEO.

The Central Government Directors and State Government Directors (collectively, "**Government Directors**") will, at all times, be non-executive directors.

(b) No Government Director may be, at any time, designated as an 'officer who is in default', 'occupier', 'manager', 'compliance officer', or any other designation or role of similar import that requires the Government Directors to be responsible for any of the day-to-day affairs or the legal compliances of the SPV (collectively, "Relevant Designations"). At every time, there will be at least 1 (one) AIP Director or the CEO who has been designated with the Relevant resolution of the Board.¹⁰

¹⁰**Note:** The Relevant Designations in question are positions of responsibility under various applicable laws (such as company law, labour and employment laws, etc.), which carry with them the responsibility of ensuring that the SPV complies with the relevant laws. Hence, to mitigate the risk of liability for the Government Directors, we have provided that they will not be designated with any of the Relevant Designations.

- (c) Chairperson: The AIP shall nominate 1 (one) of the AIP Directors as the chairperson of the Board (“**Chairperson**”).
- (d) Committees: The Board may, from time to time, constitute one or more committees or sub-committees having such composition and terms of reference as it may deem fit (“**Board Committees**”). Subject to applicable laws, the composition of the Board Committees shall be such that the nominee directors of each Shareholder are represented in the Board Committees in the same proportion in which they are represented on the Board.¹¹ The Board Committees may include representatives from the industry, technical experts etc. to assist the Board and the CEO in discharging their functions.

The principles in relation to meetings, quorum and voting which are applicable to the Board will be applicable, *mutatis mutandis*, to the Board Committees unless otherwise provided herein or specified by the Board.

7 Board Meetings and Resolutions by Circulation

- (a) Meetings of the Board will be conducted as follows:
 - i. Frequency: The Board will meet at least once every quarter such that not more than 120 (one hundred and twenty) days elapse between any two successive Board meetings, or at such higher frequency as may be mutually agreed between the Shareholders.
 - ii. Notice: Notice for meetings of the Board will be given to, and the agenda and other supporting documentation shall be circulated with, each of the directors in accordance with applicable laws.
 - iii. Shorter Notice: Meetings of the Board may be convened at shorter notice with the consent of the Government Directors and at least 1 (one) AIP Director.¹²

¹¹**Note:** The general principle in joint ventures is for the composition of board committees to be in the same proportion as the composition of the board. We have provided for a similar position here.

¹²**Note:** Under the Companies Act, 2013, Board meetings ordinarily require notice of 7 (seven) days, and meetings can be convened at shorter notice for urgent business. To ensure that the Government Directors retain supervision and oversight on the Board, we have provided that the Government Directors’ consent should be obtained for convening Board meetings with a notice period which is shorter than the ordinary notice period of 7 (seven) days.

- iv. Mode of Meetings: Meetings of the Board may be held by way of video conference / online audio-visual means, in accordance with the applicable law.
 - v. Quorum: The quorum for any meeting of the Board will be in accordance with the Companies Act, 2013 and shall require the presence of at least 1 (one) Central Government Director, at least 1 (one) State Government Director, and at least 1 (one) AIP Director.¹³
 - vi. Voting: Except as otherwise required under the SHA for the Reserved Matters (defined below) or under applicable laws, any resolution of the Board shall be approved by a simple majority of the directors present and voting at the relevant meeting of the Board.
- (b) Resolutions of the Board may be passed by circulation, subject to the following conditions: (i) passing of such resolutions by circulation is permitted under applicable law; and (ii) if such resolutions relate to Reserved Matters, the requisite prior written consent of the relevant Government has been obtained.

8 Supervision and Control

Subject to the SHA and the articles of association (“**Articles**”) of the SPV, the Board will be entitled to exercise all powers and functions as are vested in it under the Companies Act, 2013 and other applicable laws.

The overall management and administration of the SPV will be under the supervision and control of the Board. The Board may, at its discretion from time to time, delegate its powers to Board Committees, or any officers or KMPs of the SPV, in each case in accordance with applicable laws, the SHA, and the Articles.

¹³**Note:** To hold a Board meeting, the presence of at least one Central Government Director and at least one State Government Director should be required. This requirement is in addition to quorum requirements prescribed under the Companies Act, 2013, which is the lesser of (a) 8 (eight) members and (b) 25% (twenty five percent) of the total strength of the board of directors. This would ensure that the Governments have visibility over the operation of the Board. Further, we have seen that, in government-private joint ventures with the government as a minority shareholder, the quorum for board meetings generally requires the presence of the government’s nominee director.

SHAREHOLDERS' MEETINGS

- 9 Shareholders' Meetings** Meetings of the shareholders of the SPV will be conducted as follows:
- (a) Shareholders' meetings may be convened in accordance with the procedure prescribed under applicable laws.
 - (b) Notice of shareholders' meetings shall be given to, and agenda and other supporting documentation shall be circulated with, the Shareholders in accordance with applicable laws.¹⁴
 - (c) Shareholders' meetings may be convened at shorter notice in accordance with applicable laws.¹⁵
- 10 Quorum and Voting** The quorum for, and the manner of voting at, meetings of the Shareholders of the SPV will be as follows:
- (a) The quorum for any Shareholders' meeting will require the presence of the authorized representatives of each of the Shareholders.¹⁶
 - (b) All Shareholders will vote in proportion to their respective shareholding in the SPV.
 - (c) Except as may be otherwise required under the SHA in respect of the Reserved Matters (as defined below) or under applicable laws, any resolution of the Shareholders shall be approved by a vote of a simple majority by shareholding of the Shareholders present and voting at the relevant Shareholders' meeting.
- 11 Chairman** Unless agreed otherwise by the Shareholders present at the relevant Shareholders' meeting, the Chairperson of the Board will be the chairman of every Shareholders' meeting.

¹⁴**Note:** Under the Companies Act, 2013, notice of 14 (fourteen) days is generally required to be given to convene a Shareholders' meeting.

¹⁵**Note:** Under the Companies Act, 2013, consent of Shareholders holding at least 95% (ninety-five percent) of the SPV's share capital will be required to convene a Shareholders' meeting with notice shorter than the ordinary period of 14 (fourteen) days. Given the shareholding pattern of the SPV, this practically means that the consent of all the Shareholders will be required to hold a Shareholders' meeting at shorter notice.

¹⁶**Note:** Similar to the construct for the quorum of Board meetings above, we have proposed that the presence of the representatives of both the Central Government and the State Government will be required to form the quorum for a Shareholders' meeting.

RESERVED MATTERS AND DELEGATED MATTERS

12 Reserved Matters

Notwithstanding anything to the contrary in the Articles or the SHA, no action or decision in respect of any Central Government Reserved Matter (*as defined below*) will be taken without the prior written consent of the Central Government, and no action or decision in respect of any State Government Reserved Matter (*as defined below*) will be taken without the prior written consent of the State Government.¹⁷

The “**Central Government Reserved Matters**” means the list of reserved matters as set out in **Part A of Schedule I** (*Reserved Matters*) below.

The “**State Government Reserved Matters**” means the list of reserved matters as set out in **Part A** and **Part B** of **Schedule I** (*Reserved Matters*) below.

The Central Government Reserved Matters and the State Government Reserved Matters are collectively referred to as the “**Reserved Matters**”.

13 Delegated Matters

In order to ensure a certain degree of operational freedom for the SPV, a list of Delegated Matters will be incorporated into the SHA. The Board, in its first meeting, will delegate the Delegated Matters to the CEO, and empower the CEO to undertake the actions contemplated in the Delegated Matters.¹⁸

¹⁷**Note:** It is set out in **Schedule I** (*Reserved Matters*) below a list of Reserved Matters for both the Central Government and the State Government. The SPV, the Board, the CEO and the management team, would not be permitted to take any decision on a Reserved Matter without the prior written consent of, the Central Government for Central Government Reserved Matters and the State Government for the State Government Reserved Matters. This will ensure that the respective government’s consent is always required for a set of high-level matters that closely and directly affect their interests.

¹⁸**Note:** It is proposed that, in the interests of operational efficiency and administrative convenience, the Board’s powers and functions in relation to the Delegated Matters set forth in **Schedule II** (*Delegated Matters*) below should be exercised by the CEO. The list of Delegated Matters is a list of day-to-day operational matters on which the CEO can take decisions on his own. The powers of the CEO in relation to the Delegated Matters are subject to the following key limitations: (i) any Reserved Matter, even if it falls within the scope of a Delegated Matter, will require the prior written consent of the respective government; (ii) any matter within the competence of the Board that falls outside of the scope of the Delegated Matters will have to be decided by the full Board; and (iii) any matter required by applicable laws to be approved by the Board or the Shareholders cannot be decided by the CEO (and will require the consent of the Board or the Shareholders, as the case may be).

For the removal of doubt, it is clarified that nothing in the Delegated Matters will authorize the SPV or the AIP to engage in any conduct that is contrary to the terms of the License Agreement, the SHA or applicable laws. Further, if any action under Delegated Matters qualifies as a Reserved Matter, the prior written consent of the relevant government would be required to undertake such action.

The “**Delegated Matters**” means the list of matters in respect of the SPV and the Hub-and-Spoke Cluster that will be delegated to the CEO, as set out below in **Schedule II** (*Delegated Matters*).

FURTHER FUNDING AND USE OF FUNDS

14 Modes of Funding¹⁹

Pursuant to its incorporation, the funding requirements of the SPV will be met in accordance with the strategic investment plan prepared by the AIP in accordance with the Scheme and approved by the Central Government and the State Government in accordance with the terms of the Scheme (“**Strategic Investment Plan**”) and by means that are in the sequential order of preference set out below:

- (a) Financial Assistance under License Agreement: The preferred mode of funding will be the drawdown of the financial assistance and contributions required to be made available to the SPV by each Shareholder under the terms of the License Agreement, in each case subject to the relevant milestones for the disbursement of the relevant tranche of such support being met in accordance with the Strategic Investment Plan.
- (b) CSR Funding and Grants: Subject to the provisions of the Companies Act, 2013, the SPV may receive and utilize corporate social responsibility (CSR) contributions, and other grants and contributions, from the Shareholders or third parties.

respective government; (ii) any matter within the competence of the Board that falls outside of the scope of the Delegated Matters will have to be decided by the full Board; and (iii) any matter required by applicable laws to be approved by the Board or the Shareholders cannot be decided by the CEO (and will require the consent of the Board or the Shareholders, as the case may be).

¹⁹**Note:** Modes of funding may need to be discussed further in light of the funding mechanics which will be included in the License Agreement.

- (c) Debt: If the modes of funding set forth in subparagraphs (a) and (b) above are not sufficient to meet the requirements of the SPV at any time, the SPV may raise debt from its Shareholders (to the extent permitted under applicable law), banks, financial institutions and/or other third parties (either in the form of loans or by way of the issuance of debt securities).
- (d) Equity: If the modes of funding set forth in subparagraphs (a), (b) and (c) above are not sufficient to meet the requirements of the SPV at any time, the SPV may raise further funds against the issuance of equity shares or securities convertible into equity shares to the Shareholders.²⁰

15 Pre-Emptive Right

If the SPV proposes to issue any securities, each of the Shareholders will have a *pro rata* pre-emptive right to subscribe to such number of the securities proposed to be issued as would enable such Shareholder to maintain their shareholding percentage in the SPV on a fully diluted basis.

SHARE TRANSFER RESTRICTIONS AND EXIT

16 Lock In Period

The securities of the SPV held by the AIP will be locked in till the expiry of the period of license under the License Agreement ("**Lock In Period**"). During the Lock in Period, the AIP will not transfer any of its securities in the SPV to any other person whatsoever, except with the prior written consent of the Central Government and the State Government.

17 Right of First Refusal

Subject to paragraph 16 (*Lock In Period*) above, both the Central Government and the State Government will have a *pro rata* right of first refusal in respect of any intended transfer by the AIP of any securities of the SPV held by the AIP.²¹

²⁰**Note:** Kindly note that any issuance of securities is both a Central Government Reserved Matter and a State Government Reserved Matter. Hence, any proposed issuance will require the prior consent of both the Central Government and the State Government, which will ensure that both the governments are aligned on the terms of any proposed issuance before it can take place. Further, please note that if the Central Government or the State Government does not participate in any proposed issuance of equity shares or securities convertible into equity shares *pro rata* to their respective shareholding in the SPV prior to the proposed issuance, their shareholding percentage in the SPV will be reduced after the completion of the proposed issuance.

²¹**Note:** While the relevant governments can always withhold consent for any proposed transfer of securities by the AIP until the terms of the proposed transfer are to their satisfaction, we have nevertheless, for the purposes of abundant clarity, provided both governments with a right of first refusal to purchase the securities proposed to be transferred. This right, when exercised, would enable the governments to ensure that they have the ability to contractually purchase the securities proposed to be transferred, with a view to ensuring that no third party becomes a shareholder in the AIP.

EVENTS OF DEFAULT

- 18 Events of Default²²**
- The SHA will set out the customary events of default (collectively, “Events of Default”), which will include:
- (a) any material breach of the SHA by any Party thereto;
 - (b) the liquidation, dissolution, winding up, or bankruptcy, of the AIP or the AIP being admitted to insolvency proceedings; and,
 - (c) any default on part of the SPV (which is attributable to the AIP) under the License Agreement.
- 19 Consequences of Event of Default²³**
- (a) The consequences of the occurrence of an Event of Default will be as set forth in the License Agreement.
 - (b) In addition, in case of a default by the AIP, the SHA will provide for the following consequences which will be at the option of the Central Government and the State Government:
 - i. Cal Option: Central Government and the State Government will have the right to acquire (by themselves or their respective nominees) the shares of the SPV held by the AIP at the lowest price permissible under applicable law;
 - ii. Liquidation / Winding Up: Central Government and the State Government will have the right to require liquidation / winding-up of the SPV.

MISCELLANEOUS

- 20 Term and Termination**
- (a) The SHA will be effective on and from the effective date of the License Agreement and will thereafter continue to be in full force and effect until and unless terminated in the manner set forth in sub-paragraph (b) below.

²²**Note:** An indicative list of Events of Default in this term-sheet is set out. Given the interlinkages between the SHA and the License Agreement, the Events of Default under the SHA would need to be revisited once the term sheet for the License Agreement is in place.

²³**Note:** The consequences under the SHA of an Event of Default to be fleshed out further based on discussions on and review of the consequences of an event of default set out in the License Agreement.

- (b) The SHA will terminate upon the occurrence of any of the following events:
 - i. all Shareholders mutually agree to terminate the SHA;
 - ii. expiry of the License Agreement or termination of the License Agreement for any reason other than an event of default under the License Agreement by the SPV;
 - iii. liquidation, dissolution, winding up, or bankruptcy, of the SPV; and,
 - iv. only in relation to a particular Shareholder, upon that Shareholder ceasing to hold any securities of the SPV.
- (c) Customary provisions regarding the survival of certain provisions of the SHA beyond its termination will be incorporated in the SHA, which will include the provisions of the SHA concerning confidentiality, term and termination, governing law and exclusive jurisdiction and dispute resolution.

21 **Consequences of Expiry / Termination**²⁴

Upon the expiry of the term of the License Agreement or termination of the SHA (for reasons other than the occurrence of an Event of Default), one of the following actions will be undertaken at the discretion of the Central Government and the State Government:

- (a) the SPV will be voluntarily wound up; or,
- (b) the Central Government and the State Government will have the right to acquire (by themselves or their respective nominees) the shares of the SPV held by the AIP at the lowest permissible price under applicable law.

²⁴**Note:** Options provided may be exercised once the term of the License Agreement expires. Please note that, as currently drafted, the choice between winding up the SPV and buying out the shares of the SPV held by the AIP lies with the Central Government and the State Government. The option to buy out the shares in the SPV held by the AIP adds flexibility should the governments want to acquire the SPV or continue an SPV with a different industry partner, rather than undertake the process of winding up. However, this aspect would need to be aligned with the terms of the Scheme and reviewed by the MSDE to align expectations on the means by which exit will take place.

22	Information and Inspection Rights²⁵	The Central Government and the State Government will have customary information and inspection rights in relation to the SPV under the SHA, which will include the right to receive, <i>inter alia</i> : (a) the audited financial statements of the SPV on an annual basis, (b) unaudited and provisional financial statements of the SPV on a quarterly basis, and (c) signed copies of minutes of meetings of the Shareholders, Board and/or any committee of the Board.
23	Representations and Warranties	Each Shareholder will provide customary representations and warranties to the other Shareholders under the SHA.
24	Confidentiality	Each Shareholder will be bound by customary confidentiality obligations under the SHA.
25	Governing Law	The SHA will be governed by, and construed in accordance with, the laws of India.
26	Exclusive Jurisdiction	Any disputes or differences arising out of, in relation to, or in connection with, the SHA will be subject to the exclusive jurisdiction of the courts at New Delhi, India.

²⁵**Note:** An indicative list of information and inspection rights in this term-sheet is provided. Since the License Agreement will also contain certain information and inspection rights in favour of the governments vis-à-vis the SPV, the list of information and inspection rights under the SHA will need to be revisited once the term sheet for the License Agreement is in place, so as to avoid duplication of such rights between the SHA and the License Agreement.

SCHEDULE I | RESERVED MATTERS²⁶

Part A

Governance Matters

1. Any amendment to or alteration of the memorandum of association or the articles of association of the SPV, including that of the Objects.
2. Any change in the constitution of Board or of any Board Committees thereof (including the appointment, removal, and any change, of the Chairperson), including the manner of appointment of Directors or any increase or decrease in size of the Board.
3. Appointment, removal, or any change, of statutory auditors.
4. Liquidation, dissolution, or winding up, of the SPV.
5. Any change to the registered office or the name of the SPV.
6. Any change in the capital structure of the SPV, including by way of the issuance of any securities to any Shareholder or other person.
7. Any transfer of the shares or securities of the SPV by any Shareholder.

Operational Matters

8. Sale, lease, gift, grant, or disposal in any other form and manner, of any assets to any person/entity other than the ITIs constituting the Hub-and-Spoke Cluster.
9. Acquisition of shares in or investment in any other person, creation of subsidiaries, joint ventures, partnerships.
10. Entering into any agreement with the AIP.

Financial Matters

11. Creation of encumbrances on the assets of the SPV.
12. Capital expenditure for or on behalf of the SPV or the Hub-and-Spoke Cluster other than in accordance with the terms of the Strategic Investment Plan and the Annual Operating Plans.
13. Acquisition, receipt, disposal, gift, or grant, of any assets of value greater than INR [●] (Indian Rupees [●]).
14. Approval of the audited financial statements of the SPV.
15. Incurring any indebtedness.
16. Making any political contributions.

²⁶**Note:** (a) Indicative set of the Reserved Matters are included. This list would need to be revised on the basis of the scope of the License Agreement, and feedback from the MSDE. (b) Certain Reserved Matters are linked to monetary thresholds. Such monetary thresholds may be decided by the State Governments on a case-to-case basis depending on factors like the size of the Hub-and-Spoke Clusters.

Residuary Matters

Entering into an agreement, whether binding or otherwise, in relation to any of the foregoing.

Part B

Financial Matters

1. Operational expenditure for or on behalf of the SPV or the Hub-and-Spoke Cluster other than in accordance with the terms of the Strategic Investment Plan and the Annual Operating Plans.
2. Entering into any contract involving an expenditure in excess of INR [●] (Indian Rupees [●]), renewing such contracts beyond the initial period and altering the terms of such contracts.
3. Commencement of litigation, arbitration, or other legal proceedings, exceeding a value in dispute of INR [●] (Indian Rupees [●]), and except in relation to any dispute arising out of the License Agreement.

Residuary Matters

4. Entering into an agreement, whether binding or otherwise, in relation to the foregoing.

SCHEDULE II | DELEGATED MATTERS²⁷

1. Pay costs, charges and expenses in relation to day-to-day functioning and transactions of the SPV and/or the Hub-and-Spoke Cluster and, for this purpose, to make, draw, sign, accept, endorse, negotiate and otherwise execute on behalf of the SPV and/or the Hub- and-Spoke Cluster all cheques, drafts, pay orders, hundies or bills of exchange.
2. Open, operate and maintain, with complete authority, bank accounts of the SPV and/or the Hub-and-Spoke Cluster.
3. Purchase, take on lease, or otherwise receive on its books (including by way of gift or grant), any property or equipment, whether for and on behalf of the SPV and/or the Hub- and-Spoke Cluster, for the purpose of the Objects.
4. Purchase, procure, supply, or otherwise acquire any property (including furniture, machinery, tools, IT equipment and software, teaching aids, etc.) for the purpose of the day-to-day conduct of the operations of the SPV and/or the Hub-and-Spoke Cluster.
5. Demand, recover, take possession of and/or receive any property, moveable or immovable, and receivables (including fees paid or payable by trainees of the ITIs constituting the Hub-and-Spoke Cluster) on behalf of the SPV and/or the Hub-and-Spoke Cluster.
6. Discussion, negotiation, and settlement of the terms and conditions of contracts relating to the operations of the SPV and/or the Hub-and-Spoke Cluster from time to time, and to enter into, sign or execute agreements and contracts or other documents relating to the same.
7. Enter into contracts with third parties (including service providers, suppliers, industry partners, etc.) for the operation and maintenance of the Hub-and-Spoke Cluster.
8. Enter into revenue accretive contracts for and on behalf of the SPV and/or the Hub-and-Spoke Cluster, in each case in the ordinary course of business or operations.
9. Enter into insurance contracts for and on behalf of the SPV and/or the Hub-and-Spoke Cluster, in each case in the ordinary course of business or operations.
10. Undertake activities for the purposes of business development, marketing, and the planning and forecasting of revenues and expenses (including collections of fees from the trainees of the ITIs constituting the Hub-and-Spoke Cluster), in each case of both the SPV and the ITIs constituting the Hub-and-Spoke Cluster.
11. Determine processes and policies for various personnel on the payroll of or deputed to the SPV (including personnel engaged in the functions of training, process improvement, human resource, finance, legal, general administration, research, technology, IT, etc.) and implement organizational and financial controls and other related matters.

²⁷**Note:** Indicative sets of Delegated Matters are included. This list would need to be revised on the basis of the scope of the License Agreement, and feedback from the MSDE.

12. Appoint, terminate, engage, fix and pay remuneration, grant promotion and increment, transfer, dismiss or discharge all managers, secretaries, experts and other officers, clerks, agents, employees, servants and other personnel of the SPV for permanent, temporary or special services or determine their powers and duties and fix their salaries or emoluments or require security in such instances.²⁸
13. Participate in, and be consulted regarding, the process of the appointment, termination, fixation of remuneration, grant of promotions and increments, transfers, dismissals, and the determination or variation of the other terms and conditions of employment or engagement, of all officers, clerks, agents, employees, servants and other personnel of the Hub-and-Spoke Cluster who qualify as government/civil servants under applicable laws, in each case in accordance with the terms of the License Agreement.
14. Institute, prosecute, defend, compromise, withdraw or abandon any legal proceedings by or against the SPV and/or any ITIs constituting the Hub-and-Spoke Cluster or their respective management, directors, officers, employees, or staff, or otherwise concerning the affairs of the SPV and/of the Hub-and-Spoke Cluster and act and represent on behalf of the SPV and/or the ITIs constituting the Hub-and-Spoke Cluster in matters relating to dealings with any governmental authority (including those relating to education, vocational educational and training, infrastructure and development, land, and taxation).
15. Make, sign, declare, execute, verify, affirm and file, on behalf of the SPV and/or the Hub-and-Spoke Cluster, all applications, returns, statements, petitions, declarations and all other documents as may be necessary or desirable under applicable laws with any governmental authority or in any proceedings thereunder.
16. Make and sign applications, in each case for and on behalf of the SPV and/or the the Hub-and-Spoke Cluster, to the appropriate government departments, local authorities or other competent authorities for all and any licenses, permits and consents required by any applicable laws as well as for mobile, telephone, fax, data link or leased lines in connection with business, operations or property of the SPV and/or the Hub-and-Spoke Cluster.
17. Make, vary and repeal bylaws, standing orders and internal guidelines and procedures for the regulation of the operations of the SPV and the duties of its officers, employees and staff.
18. Delegate any of the matters specified above to one or more directors, officers, or employees, of the SPV.
19. Prepare, execute, and deliver to any person any correspondence and/or documentation relating to the above.

²⁸**Note:** By way of clarification, the powers set out in this Delegated Matter are limited to the employees of the SPV. This Delegated Matter does not extend to the employee of the ITIs.

Annexure 4

ITI UPGRADATION SCHEME | LICENSE AGREEMENT | TERM SHEET

The Ministry of Skill Development and Entrepreneurship, Government of India (“**MSDE**”) in collaboration with State Governments, intends to undertake the upgradation of 1,000 (one thousand) industrial training institutes (“**ITIs**”) across the country under a PM- SETU (“**Scheme**”) implemented through the public-private partnership (“**PPP**”) model. Under the Scheme, it is proposed that the right to upgrade, operate and manage an identified cluster constituting of a ‘hub’ ITI and a number of associated ‘spoke’ ITIs (collectively, a “**Hub-and-Spoke Cluster**”)²⁹ will be granted to a special purpose vehicle (“**SPV**”) whose shareholding will be held by an anchor industry partner (“**AIP**”) chosen through a transparent process of selection, by the Central Government, and the relevant State Government.

The terms of this arrangement will be governed by:

- a. a license agreement (“**License Agreement**”) that will record the terms and conditions on which the right to upgrade, operate and manage a Hub-and-Spoke Cluster will be granted to the SPV by the relevant State Government; and,
- b. a shareholders’ agreement (“**SHA**”) that will record the rights and obligations of the AIP, the Central Government, and the State Government, as shareholders of the SPV and provide for the internal governance and management of the SPV.

This term sheet sets out below an indicative list of the key terms and principles that will be incorporated into the License Agreement.

KEY TERMS OF THE LICENSE AGREEMENT

27	Parties	The License Agreement will be executed by and between: (a) the SPV; (b) State Government; and (c) Central Government, collectively, the “ Parties ”.
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²⁹**Note:** This term sheet has been prepared for a single Hub-and-Spoke Cluster. The State Steering Committee may appropriately modify the structure, and the mechanics proposed in this term sheet for structures involving more than one Hub-and-Spoke Cluster.

The SPV will be responsible for upgrading, operating and managing the ITIs in the Hub-and-Spoke Cluster in accordance with the terms of the License Agreement.³¹

The SPV's scope will include:

- (a) **Upgradation Works:** The SPV will be responsible for designing, financing and undertaking the works to upgrade the ITIs in the Hub-and-Spoke Cluster. The upgradation or expansion works may include civil works, refurbishment works (including refurbishment of labs), replacing old equipment and/or machinery, procuring or leasing and installing new equipment and/or machinery, upgrading IT infrastructure and software (including installation of new enterprise management systems and other software), staff facilities, and other associated infrastructure ("**Upgradation Works**"). The SPV shall also be responsible for obtaining the relevant approvals required for the upgradation of the ITIs.
- (b) **Operations and Management:** The SPV will be responsible for the day-to-day operations and management of the ITIs in the Hub-and-Spoke Cluster, which will include conducting training under the existing courses, introducing new courses and redesigning existing courses (to the extent applicable), training of the trainers, setting up production/incubation centres/centres of excellence, managing the staff and personnel at the ITIs (including payroll and other associated services for staff who are the employees of the SPV), engaging with industries and local government representatives, other HR and administrative and management functions, etc.

³⁰**Note:** We have provided an indicative list of the upgradation and operations and management works which may be a part of the scope under the License Agreement. However, depending on the requirements of the State Government and each individual Hub-and-Spoke Cluster, the scope may be modified by the State Government.

³¹**Note:** The License Agreement will include the strategic investment plan prepared by the AIP in accordance with the Scheme and approved by the Central Government and the State Government ("**SIP**") by way of an annexure/schedule.

- (c) Other Services: The SPV will be responsible for enhancing student-services related to placement, counselling, on-the-job training, life skills, etc., deploying (if required) digital interface (i.e., the Learning Outcome Management System), identifying, commencing and/or managing additional revenue streams for the ITIs, promoting the ITIs in the Hub-and-Spoke Cluster, and developing partnerships/relationships for potential placement opportunities (as may be required), [undertaking (either by itself or through a third party) commercial activities such as operating cafeterias, student accommodation and parking lots], etc.

29 Term

The License Agreement will be effective on and from the date the conditions precedent are fulfilled by the Parties ("**Effective Date**"). Upon fulfilment of the conditions precedent, the License Agreement will, subject to early termination, continue to be in full force and effect for a period of 5 (five) years ("**Term**"), as may be mutually extended by the Parties.³²

30 Conditions Precedent and Transition of ITI Operations

Conditions Precedent

The parties will be required to fulfil the following conditions precedents within [6 (six)] months from execution of the License Agreement:

- (a) Parties to finalise the SIP and obtain the necessary approvals for the SIP from the State Government and Central Government. The finalised SIP will form a part of the License Agreement, as an annexure/schedule;
- (b) State Government to handover actual and constructive possession of the Hub-and-Spoke Cluster to the SPV;
- (c) Parties to prepare an 'Asset Register' capturing details of the existing assets (and condition thereof) of the ITIs that are to be handed over to the SPV on or prior to the Effective Date;
- (d) [Central Government and State Government to operationalise the payment security mechanism as set out in S. No. 15];

³²**Note:** If the Central Government is not inclined to continue to be a Party to the License Agreement after the first 5 (five) years, then the SPV and the State Government will likely need to execute a fresh bipartite license agreement. We will also need to consider what impact such a situation would have on the SHA depending on whether the Central Government also intends to extend its involvement in the SPV beyond the initial term.

- (e) SPV to furnish Performance Security;
- (f) SPV to submit and obtain the State Government's approval for the Annual Plan for the first 12 (twelve) months; and
- (g) SPV to submit details of the key managerial personnel it intends to appoint for each ITI.³³

If the conditions precedent are not fulfilled within [●] months after the expiry of the timeline for fulfilling the conditions precedent (i.e., the long-stop date for fulfilling the conditions precedent), then the non-delaying Party will have a right to terminate the License Agreement.

Transition Phase

Prior to the Effective Date, the State Government shall allow the AIP to depute its nominated representatives to each ITI in the Hub-and-Spoke Cluster to observe the functioning, and operations of the ITIs, and the State Government shall extend all necessary support and provide access to the existing records of the ITIs to facilitate seamless transition of operations of the ITI to the SPV.

31 Performance Security

The SPV will procure and maintain an irrevocable and on-demand bank guarantee from a scheduled bank acceptable to the State Government for an amount equal to [●]³⁴ (“**Performance Security**”).

The Performance Security will secure the SPV's obligations in connection with carrying out the Upgradation Works and will be valid for at least [3 (three)]³⁵ months after the Scheduled Completion Date (as may be extended in accordance with the terms of the License Agreement).

³³**Note:** Additional CPs may be added basis discussions with MSDE, ADB and World Bank.

³⁴**Note:** Basis Central Government's guidance, the value of the performance security can range from 3% (three percent) to 10% (ten percent) of the cost of capital expenditure, and the value of the performance security may be determined by the State Government for each ITI depending on the scope of Upgradation Works of the Hub-and-Scope Cluster.

³⁵**Note:** State Government to determine the validity period of Performance Security to be submitted by the SPV depending on the scope of Upgradation Works of the Hub-and-Scope Cluster.

State Government's General Obligations

The obligations of the State Government will include:

- (a) granting the SPV a license to: (i) undertake Upgradation Works; (ii) operate and manage the ITIs; and (c) provide other services, in accordance with the terms of the License Agreement;
- (b) facilitating approvals required by the SPV for operating, managing and upgrading the ITIs in a timely manner;
- (c) reviewing and approving various documents submitted by the SPV during the term including designs and drawings for upgradation works and Annual Plans;
- (d) appointing an Independent Monitoring Agency (“**IMA**”) for the Hub-and-Spoke Cluster, who will be responsible for monitoring the SPV’s performance (including assessing whether the SPV is meeting the Key Performance Indicators (“**KPIs**”));
- (e) ensuring that the existing ITI employees on the rolls of the State Government are instructed to follow directions of the SPV, and taking necessary remedial actions in case of non-compliance with and/or non-adherence to the instructions provided by the SPV;
- (f) ensuring that major utility connections, including power, water, internet and sewerage are in place at the time the ITIs are handed over to the SPV, provided that the SPV will be responsible for maintaining such connections including paying the bills for such utilities; and
- (g) ensuring that a communication plan is developed and delivered to the existing employees of the ITIs in the Hub-and-Spoke Cluster for the transition of the operations and management of the ITIs to the SPV.

Key Performance Indicators

Based on the SIP, the License Agreement will set out KPIs specific to the Hub-and-Spoke Cluster which may include (but are not limited to):³⁶

- (a) increase in overall enrolment;
- (b) increase in verified placement;
- (c) increase in female enrolment;

- (d) increase in verified salaries of placed trainees;
- (e) training of trainers; and
- (f) verifiable technology adoption.

The procedure for monitoring and verification of the SPV's performance against the identified KPIs (where such monitoring and verification will be carried out through the IMA), will be detailed in the License Agreement.

34 Ownership of Assets

The SPV shall ensure that any new asset created or acquired for the ITIs in the Hub-and-Spoke Cluster by the SPV is created or acquired in favour and benefit of the relevant ITI. The ownership of any such asset will vest with the State Government.

Notwithstanding the above, any residual assets created or acquired by the SPV for the ITIs in the Hub-and-Spoke Cluster will be transferred to the State Government for the benefit of the relevant ITI upon the expiry/termination of the License Agreement.

UPGRADATION WORKS AND PLANS

35 Designs and Drawings

Based on the agreed scope of the Upgradation Works as set out in the SIP, the SPV will submit the relevant designs and drawing to the State Government for its review and approval, at least [●]³⁷ days before undertaking any Upgradation Works.

The IMA shall, within [●]³⁸ days of submission of the relevant documents by the SPV, review and provide comments, if any, on the designs and drawings, to the SPV. Once the IMA has approved these documents, it shall issue a notice to the State Government who will, in turn, approve the designs and drawings based on the IMA's inputs.

³⁶**Note:** The KPIs for each Hub-and-Spoke Cluster may vary depending on the requirements of the Hub-and-Spoke Cluster and will be provided in the SIP and replicated in the License Agreement, as finalised between the Parties.

³⁷**Note:** State Government to determine the number of days within which the SPV will be required to submit the documents for the Upgradation Works to the IMA for review depending on the scope of Upgradation Works of the Hub-and-Scope Cluster.

³⁸**Note:** State Government to determine the number of days within which the IMA will be required to submit its report on the documents submitted by the SPV for the Upgradation Works.

If the IMA or State Government do not provide their approval or comments within [●]³⁹ days of submission of the relevant documents by the SPV, or in the case of the State Government, within [●]⁴⁰ days of submission of the IMA's report, these documents will be deemed to be approved by the State Government.

36 Scheduled Completion Date

The SPV will undertake the Upgradation Works within a pre- defined time period (as set out in the License Agreement for the relevant Hub-and-Spoke Cluster) ("**Scheduled Completion Date**").

37 Completion of Upgradation Works

Once the Upgradation Works are complete, the SPV will invite the IMA to inspect the Upgradation Works. If the IMA finds the Upgradation Works to be complete, it will give its recommendation to the State Government who will, in turn, issue a completion certificate to the SPV within [15 (fifteen)] days of receiving the IMA's recommendation. If the State Government does not issue the completion certificate within [15 (fifteen)] days of receiving the IMA's recommendation, the completion certificate will be deemed to have been endorsed.

38 Delay Liquidated Damages

If the SPV is unable to complete the Upgradation Works by the Scheduled Completion Date, then unless such delay is caused due to reasons not attributable to the SPV, the SPV will be liable to pay delay liquidated damages to the State Government at the rate of [●]%⁴¹ of the Performance Security for each week of delay, or part thereof, till the works are complete, subject to a cap of [●]%⁴² of the Performance Security. However, if such delay is attributable to the State Government, and such delay leads to an increase in the costs of the works, the State Government will be required to provide additional funds to the SPV to meet the additional costs, in accordance with the SIP.

³⁹**Note:** State Government to determine the number of days within which the IMA and State Government will be required to approve or reject the documents submitted by the SPV for the Upgradation Works.

⁴⁰**Note:** State Government to determine the number of days within which the State Government will be required to issue its approval basis the report submitted by the IMA.

⁴¹**Note:** State Government to determine the rate of delay liquidated damages which will be payable in case of delay in completion of Upgradation Works depending on the scope of Upgradation Works for each Hub-and-Spoke Cluster.

⁴²**Note:** State Government to determine the cap on delay liquidated damages. Typically, this cap would range between 10% (ten percent) to 20% (twenty percent) of the Performance Security.

39 Annual Plan

Based on the SIP and as a condition precedent to the effectiveness of the License Agreement, the SPV shall submit an annual plan to the other Parties for the first 12 (twelve) months period commencing on and from the Effective Date ("**Annual Plan**"). The Annual Plan will include the plan for undertaking the Upgradation Works (including construction schedule) and the operations plan for the Hub-and-Spoke Cluster, and will be prepared in accordance with the template annexed to the License Agreement.

The IMA shall, within [14 (fourteen)] days of submission of the Annual Plan by the SPV, review and provide comments, if any, to the State Government, The State Government shall, within

14 (fourteen) days of receipt of comments from the IMA, approve or reject the Annual Plan.

If the State Government does not convey its approval or rejection within [14 (fourteen)] days of submission of the IMA's comments on the Annual Plan, it will be deemed to be approved by the State Government.

The SPV shall submit a new/updated Annual Plan for each 12 (twelve) month period thereafter until the expiry of the Term, at least 3 (three) months prior to the expiry of the then current Annual Plan.

FINANCIAL COVENANTS

40 Disbursement of Funds

Contribution of Funds

The Parties undertake to fund the upgradation in the agreed ratio (based on their agreed commitments under the SIP) and operation and management of the ITIs in accordance with the agreed commitments, milestones and conditions set out in the Annual Plan. The contributions shall be released upon the SPV achieving milestones, as outlined in the Annual Plan.

Capital Expenditure: The funds that are required for capital expenditure will be contributed by the AIP, State Government and Central Government in the agreed ratio based on their agreed commitments under the SIP.

Operational Expenditure: The funds that are required for operational expenditure will be contributed by the AIP and the State Government based on their agreed commitments as set out under the SIP.

The funds will be contributed by way of grant or CSR contributions to the SPV.

If funds contributed by the State Government or Central Government, in their respective proportions are not utilised as per the SIP, then the State Government and/or Central Government, as the case may be, shall have the right to withhold future disbursements and/or adjust such amounts from disbursements for future milestones.

Reduction in Expenses

If during the Term, there is a reduction in the capital expenses or operation expenses of the ITIs in the Hub-and-Spoke Cluster due to the SPV's efficiency or any other reason (except on account of a default by a Party of its obligations under the License Agreement), the contributions required to be made by each Party will be reduced proportionally in the agreed ratio in which funds are contributed by the Parties.

Increase in Cost

Any increase in costs against what is set out in the SIP or Annual Plan, not attributable to the Central Government or State Government, shall be met by the AIP through the SPV.

Failure to achieve KPIs

If the SPV fails to achieve certain KPIs (to be identified in the License Agreement) due to reasons attributable to the AIP, then the quantum of funds to be contributed by the State Government towards operational expenses shall be reduced in accordance with the terms of the SIP.

However, if the SPV fails to achieve the KPIs due to reasons attributable to the State Government or the Central Government, and where such failure leads to a reduction in operational expenses at the relevant ITI, then the quantum of funds to be contributed by the AIP through the SPV towards operational expenses shall be reduced in accordance with the terms of the SIP.

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|----|--|---|
| 41 | Payment Security Mechanism | <p>The State Government and Central Government shall set up and maintain throughout the Term of the License Agreement, payment security in the form of either: (a) letter of credit; (b) escrow mechanism; or (c) any other suitable mechanism, as may be decided by the Central Government and State Government. The value of the payment security shall, at all times, be sufficient to cover the contribution to be made by the Central Government and State Government, respectively, over the succeeding 3 (three) months (as set out in the SIP).</p> |
| 42 | Setting and Collection of Fees | <p>The State Government shall be responsible for determining the fees to be charged for the existing courses offered at the ITIs as well as any new Craftsmen Training Scheme (“CTS”) course introduced by the SPV.</p> <p>If the SPV introduces any ‘non-CTS courses’ such as executive programs for professionals, management training programs, diplomas, short term courses, industry-certified courses, etc. the SPV shall be responsible for determining the fees to be charged for such courses.</p> <p>The SPV shall be responsible for collecting the fees from the trainees for all courses offered in the ITIs in the Hub-and- Spoke Cluster (i.e., both CTS courses as well as ‘non-CTS courses’).</p> |
| 43 | Appropriation of Fees and Contributions | <p>The SPV shall ensure that all funds obtained by the SPV by way of grants, CSR contributions, fees from trainees/ students for non-CTS courses, rental of training equipment and facilities, or any other mode are appropriated and utilised by the SPV towards the upgradation, operations and management of the ITIs in the Hub-and-Spoke Cluster in line with the agreed SIP. However, the fees collected by the SPV from trainees/students from the CTS courses (including from ongoing courses) will be transferred to the State Government’s account.</p> |

EMPLOYEES

44 Existing Employees of the ITIs

The SPV shall have the option to retain the services of any existing employee/personnel of the State Government working at the ITIs in the Hub-and-Spoke Cluster. However, it is clarified that these employees will continue to be employees of the State Government and have all rights of such employees, and the State Government shall remain responsible for the payment of salary, benefits, and any other emoluments to such employees and carrying out annual performance reviews with inputs from the SPV.

If the SPV is not satisfied with the performance of any existing employee of the State Government working at the ITIs in the Hub-and-Spoke Cluster, or, if the SPV wishes to replace any existing ITI employee with a new hire, it can request the State Government to remove such employee from the ITI. The SPV should provide the State Government with adequate prior notice and a written explanation as to why such removal is required. The State Government shall remove such employee from the ITI and either transfer the employee to another ITI (which shall not be in the Hub-and-Spoke Cluster), any other facility of the State Government or take any other action it deems fit.

Additionally, the State Government shall not transfer any existing employee/personnel of the State Government working at the ITIs in the Hub-and-Spoke Cluster without the SPV's consent.

45 New Employees for the ITIs

The SPV shall have flexibility to hire new staff for the ITIs. Such new staff shall be employees of the SPV and not employees of the State Government. The SPV shall be responsible for the payment of salary, benefits, and any other emoluments to such employees, and their performance reviews.

TERMINATION

46 Events of Default⁴³

The License Agreement will set out certain customary events of default of the Parties (collectively, “**Events of Default**”), which will include:

- (a) any material breach of the License Agreement by any Party thereto;
- (b) the liquidation, dissolution, winding up, or bankruptcy, of the SPV or the SPV being admitted to insolvency proceedings;
- (c) failure of the SPV in achieving the KPIs within the timelines set out in the License Agreement;⁴⁴
- (d) breach of applicable law by any Party;
- (e) failure of the State Government to take necessary actions against or redeploy non-performing State Government employees at any ITI in the Hub-and-Spoke Cluster;
- (f) failure by the State Government to ensure that the SPV enjoys peaceful possession of the ITIs;
- (g) failure by any Party in making contributions as per the SIP;
- (h) failure by the Central Government and/or the
- (i) State Government to submit and/or maintain the payment security;
- (j) failure by the SPV to complete the Upgradation Works by the Scheduled Completion Date, and such delay continues till breach of the cap on delay liquidated damages

⁴³**Note:** We have set out an indicative list of Events of Default in this term-sheet. Given the interlinkages between the SHA and License Agreement, the Events of Default under the License Agreement may need to be revisited by the respective State Governments at the time of issue of the Request for Proposal.

⁴⁴**Note:** The threshold for meeting the KPIs will be set out in the License Agreement with the understanding that SPV’s repeated failure in achieving a KPI, or failure to meet a KPI by a certain date, as the case may be, will be an event of default.

47 Consequences of Termination

Upon termination, the State Government shall have no obligation to retain any personnel hired by the SPV and the AIP will be responsible for redeploying or otherwise dealing with the personnel hired by the SPV. Further, the SPV shall transfer any asset created or acquired by the SPV for the benefit of the ITIs but held by the SPV to the State Government for the benefit of the ITIs.

No termination compensation will be payable by any Party to the other Parties upon termination of the License Agreement for any reason.

MISCELLANEOUS

48 Subcontracting

The SPV shall have the right to subcontract part of the Scope

(not whole) to any subcontractor or assign or transfer any subcontract(s) to another subcontractor(s). However, SPV shall be solely responsible for all risk and cost associated due to acts and omissions of its subcontractors. Further, the SPV agrees and acknowledges that the subcontractors (and subcontractor's personnel) shall not be deemed to be employed by the State Government or Central Government.

If the SPV intends to subcontract any form of training to any subcontractor, SPV shall obtain prior written consent of the State Government.

49 Insurance

The SPV will be required to obtain and maintain the insurance

policies for its Scope⁴⁵, at its own expense. However, the SPV will not be required to obtain and/or maintain any insurance policy for the existing staff of the ITIs.

⁴⁵**Note:** The insurance to be obtained by the SPV will vary depending on the Scope for each Hub-and-Spoke Cluster. A detailed annexure setting out the insurance policies which the SPV will be required to obtain may be set out as an annexure to the License Agreement.

50	Force Majeure	The License Agreement will set out a customary list of natural and political force majeure events such as acts of God, acts of war, strikes, riots, etc. In case of any natural force majeure event (such as an act of God), the insurance obtained by the SPV will cover the cost impact of the force majeure event. In case of a prolonged force majeure, the Parties shall have the right to terminate the License Agreement.
51	Change in Law	The License Agreement will include a customary definition of change in law which will include any enactment, commencement, notification, amendment, repeal, etc. of any statute, law, code, legislation, etc. If change in law impacts the cost of upgradation or operations of the ITIs, the SPV will be entitled to seek appropriate modification to the expected capital and operational cost mentioned in the SIP to account for impact of such CIL.
52	Change of Scope	The License Agreement will include customary change of scope related provisions which will provide that any change of scope of the SPV's obligations under the License Agreement will need the prior consent of all the Parties. In case of any agreed change of scope, the financial commitments of the Parties under the SIP may be revised to account for such change of scope.
53	Handover at the end of the Term	The License Agreement will define certain standard hand-back requirements to be achieved prior to or simultaneously with the transfer of possession of the ITIs to the State Government, including inspection of the ITIs, remedying any defective equipment or machinery, handing over manuals for any equipment installed at the ITIs, unutilised consumables etc.

54	Reporting Requirements and Inspection	The SPV will be required to submit [quarterly] reports to the State Steering Committee, through the IMA, capturing details about the operations of the ITIs, upgradation works, data on KPI compliance, data on enrolment of trainees, placement records, number of trainees who have quit, etc. The IMA will have the right to carry out periodic inspections of the operations of the ITIs to the extent required for verification of KPIs and fund disbursement triggers.
55	Representations and Warranties	Each party will provide customary representations and warranties to the other party under the License Agreement.
56	Governing Law	The License Agreement will be governed by, and construed in accordance with, the laws of India.
57	Exclusive Jurisdiction	Any disputes or differences arising out of, in relation to, or in connection with, the License Agreement will be subject to the exclusive jurisdiction of the courts at [New Delhi], India.⁴

⁴⁶**Note:** We have aligned this provision as per the SHA Term Sheet. However, please note that there may be pushback from the State Governments on courts of New Delhi having exclusive jurisdiction, in which case, this clause in the License Agreement and SHA may need to be revised.

Annexure 5

Indicative State/UT categories for ITIs Upgradation

S. No.	State Category	Number of States / UTs	Indicative allocation of clusters
1	NE States	8	10
2	Hill States (HP, UK) and UTs	10	10
3	Industrialized States (AP, GJ, HR, KA, MH, RJ, TG, TN, UP, WB)	10	120
4	All other States (BH, CG, GA, JH, KL, MP, OD, PB)	8	60
	Total	36	200

Indicative Year Wise Cluster to be approved

Particular	2024-2025	2025-2026	2026-2027	Total
Number of Hub and Spoke Cluster to be approved	25	125	50	200

Annexure 6

Broad Timeline for Implementation Activities

Sl. No.	Activity	Timeline
1	Issuance of National Scheme Guidelines	T
2	Constitution of State Steering Committee (SSC)	T + 7 days
3	State-level release of Expression of Interest (EOI) to Industry	T + 30 days
4	Finalization of SIP Template and Release of RFP	T + 45 days
5	SIP Submission by Anchor Industry Partner	T + 75 days
6	Recommendation of SIP by State Steering Committee (SSC)	T + 90 days
7	Approval of SIP by National Steering Committee (NSC)	T + 100 days
8	Formation of Special Purpose Vehicle (SPV)	T + 120 days

Annexure 7

Key areas for Performance Indicators for Component 1

Key Area	Performance Indicator	Target / Threshold
Institutional & Governance Reforms	Adoption of Industry-led SPV model at HSICs	100% of approved clusters
	Pathways for sustainable industry participation (production centres, OJT tie-ups, design partnerships, continuity of AIP)	Composite index (baseline + YoY improvement)
Capacity Increment & Trainee Performance	Increase in CTS enrolment	95%
	Pass percentage	90%
	Increase in short-term course output	50% growth as per baseline
Placement Outcomes	Placement rate of CTS trainees	>75%
	Average salary of placed trainees	Increment of 50% over baseline
Gender & Inclusivity	Share of women, PwD, SC/ST, rural & tribal groups in enrolment	50% increment over baseline
	Female trainee placement rate	>75%
Curriculum & Training Quality (incl. Green Practices)	Courses upgraded as per industry requirements	10 per Hub ITI and 08 per Spoke ITI
	New CTS courses introduced	4 per Hub ITI and 2 per Spoke ITI
	New short-term courses introduced	10 per Hub-and-Spoke ITI cluster
	Industry validation of learning outcomes	Positive feedback index
Faculty & HR Development	Trainer recruitment (vacancy reduction)	Below 10% vacancy
	% of trainers upskilled (incl. green practices)	>95%
Infrastructure & Facilities	ITI hub & spoke upgradation	1,000 ITIs
Systemic Capacity Building	Number of trainers trained	50,000 across ITIs and NSTIs
Sustainability	Revenue from non-govt. sources (industry, CSR, production centres, trainings)	≥30%
Monitoring & Reporting	Annual consolidated report at HSIC level	100% of onboarded cluster reporting



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