

PLI Scheme for Speciality Steel

Why in news?

The Union Cabinet recently approved the Production Linked Incentive (PLI) Scheme for specialty steel with an outlay of Rs 6,322-crore.

What is the PLI scheme?

- For target segments, the scheme provides incentive of 4% to 6% on incremental sales over the base year for goods manufactured in India.
- Apart from inviting foreign companies to set shop in India, it encourages local companies to set up (or expand existing) manufacturing units.
- The scheme came in line with the National Policy on Electronics 2019 to position India as a global hub for Electronics System Design and Manufacturing (ESDM).
- Objectives:
 1. Encourage local production
 2. Reduce India's dependency on imports and cut the import bill
 3. Boost export earnings
 4. Increase the share of manufacturing to 20% by 2025.

Manufacturing as a share of India's GDP fell to 15.6% in FY20 and stayed there in FY21, down from the high of 16.8% in FY18.



How is the performance so far?

- The progress of the PLI scheme has been somewhat slow.
- Of the 13 sectors for which outlays have been finalised, guidelines need to be framed for a few.
- In others, the industry's concerns need to be addressed.
- For textile products and automobiles, the schemes are awaiting Cabinet approval.
- But the auto sector hugely relies on imports for a range of components and is one of the country's biggest employers.

What is the recent PLI scheme for speciality steel?

‘Specialty steel’ is a downstream, value-added product of steel manufacturing process. However, there is no universal definition of ‘specialty steel’.

- The PLI incentive is expected to boost the domestic production of specialty steel by -
 - i. attracting significant investment
 - ii. infusing technology and know-how
 - iii. promoting exports
- It will apply for the following 5 indicative product categories:
 1. Coated/Plated Steel Products
 2. High Strength/ Wear resistant Steel
 3. Specialty Rails
 4. Alloy Steel Products and Steel wires
 5. Electrical Steel

What is the rationale?

India is one of the largest steel producers in the world, with production numbers of 102 million tonnes in FY21.

- There is a huge gap in India between the production of steel and value-added steel i.e., speciality steel.
- But speciality steel has various strategic applications like defence, space, power, etc.
- So, there is a reliance on imports leading to heavy forex outflow given the higher average price per tonne for speciality steel.
- To address this, the direct fiscal incentives in the form of ‘PLI’ aims to boost manufacturing of speciality steel in India.
- Applicants have also been given the flexibility to avail other Central and State incentives alongside the PLI scheme for their investments.

Expected outcome

1. Increase production of speciality steel by 140% by FY27, over the baseline period of FY20.
2. Reduced import dependence to the tune of 76%
3. Increase in exports by 244%
4. Compete with Korea and Japan leading in the sector

What lies ahead?

- For the PLI scheme to work in all the 13 sectors identified, the government must work harder to satisfy the manufacturers' needs.
- The PLI outlay must deliver returns in the form of jobs and worthwhile import substitution, enabling the economy to become part of some global supply-chains.

Source: Business Line, Financial Express, PIB

