

Ministry of Steel

Production-linked Incentive (PLI) Scheme for Specialty Steel

Relevant to Mahindra Accelo

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Introduction

Keeping in line with India's "Make in India" policy to boost domestic manufacturing and cut down on import bills, the Union Cabinet approved the Production-Linked Incentive (PLI) scheme for manufacturing high grade Specialty Steel (SS) in India with a budgetary outlay of Rs 6,322 crore over a period of five years from 2023-24.

Context

Specialty steel has been chosen as a target segment by the PLI scheme due to its under production in India, despite its high demand among stakeholders and strategic applications. In 2020-21, India produced a mere 18 million tons (MT) of specialty steel out of the total 102 MT steel production. Resultant imports of around 4 MT of specialty steel in the same period have overburdened the foreign exchange reserves to the tune of INR 300 billion (US\$4.03 billion). By launching the PLI scheme in this sector, the government intends on becoming self-sufficient in specialty steel production and move up higher on the steel value chain to come at par with advanced steel making countries like South Korea and Japan. The government also intends on expanding the exports of specialty steel to 5.5 MT by 2026-27, and consequently refuelling India's forex reserves by approximately INR 330 billion (US\$4.43 billion). Further, PLI scheme in the sector is expected to boost investment and create opportunity for employment.

Salient Features:

- **Objective:** To help India's SS production reach 42 Million Tonnes (MT) by 2026-27 from 18 MT currently.
- **Categories:** There are five categories of specialty steel which have been chosen in the PLI Scheme:
 - i. Coated/plated steel products
 - ii. High strength/wear resistant steel
 - iii. Speciality rails

- iv. Alloy steel products and steel wires
- v. Electrical steel
- **Period:** 5-year period from 2023-24 to 2027-28.
- **Slabs:** 3 slabs of PLI incentives, the lowest being 4% and highest being 12%.
- **Beneficiaries / Eligibility:** Both big players i.e. integrated steel plants and to the smaller players (secondary steel players). Any company registered in India, engaged in manufacturing of the identified 'specialty steel' grades will be eligible to participate in the scheme.
- **Computation of Incentives:** Will be computed based on the incremental production, which is multiplied by the incentive slab rate as applicable and the weighted average sales price of the product.
- **Promote Local Manufacturing:** It will ensure finished steel be made in India only, thereby ensuring that the scheme promotes end-to-end manufacturing within the country. It will help create global manufacturing champions in India and bring the country on a par with global steel making majors such as South Korea and Japan.
- **Employment Generation:** It is expected that the scheme will generate employment for about 5 lakh people, including direct employment for 68,000 people.
- **Expected Investment:** PLI scheme in SS sector expected to bring investments worth about Rs 40,000 crore and result in a capacity addition of 25 million tonnes (MT) for speciality steel.
- **Impact on Export:** It is expected that export of SS would become about 5.5 MT against the current 1.7 MT earning a Forex of Rs 33,000 crore post successful implementation of the scheme.

Conclusion

The PLI Scheme for specialty Scheme will ensure that the basic steel used is 'melted and poured' within the country which means that raw material (finished steel) used for making specialty steel will be made in India only, thereby ensuring that Scheme promotes end to end manufacturing within the country.