



## PLI Scheme For Specialty Steel

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### Why in News

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Recently, the Union Cabinet approved the **Production-Linked Incentive (PLI)** scheme (**Central Sector Scheme**) for manufacturing **Specialty Steel (SS)** with a budgetary outlay of **Rs 6,322 crore** over a period of five years from **2023-24**.

### Specialty Steel

- It is **value-added steel**, which is made by processing normal finished steel.
- It is done by converting normal finished steel into high value-added steel by way of **coating, plating and heat treatment**.
- Apart from the automobile sector and specialised capital goods, they can be used in various strategic applications such as **defence, space, power etc.**
- SS are **categorized in various types** such as, coated/plated steel products, high strength/wear resistant steel, speciality rails, alloy steel products and steel wires, electrical steel etc.

### Key Points

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#### PLI Scheme:

- In order to **boost domestic manufacturing and cut down on import bills**, the central government in **March 2020 introduced a PLI scheme** that aims to give companies incentives on incremental sales from products manufactured in domestic units.
- The scheme **invites foreign companies to set units in India**, however, it also aims to **encourage local companies** to set up or expand existing manufacturing units.
- The Scheme **has also been approved for sectors such as** automobiles, **pharmaceuticals, IT hardware including laptops, mobile phones & telecom equipment, white goods, chemical cells, food processing** and textiles, etc.

## HOW DOES THE INCENTIVE WORK

It is a kind of subsidy to the sector

<b>Is a direct</b> payment from the budget to goods made in India	<b>Amount</b> varies from sector to sector	<b>Is based on</b> disadvantage /disability faced by a sector
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- **PLI for Speciality Steel:**

- **Aim:** To help India's SS production reach 42 Million Tonnes (MT) by 2026-27 from 18 MT today.
- **Categories:** There are five categories of specialty steel which have been chosen in the PLI Scheme:
  - Coated/plated steel products.
  - High strength/wear resistant steel.
  - Speciality rails.
  - Alloy steel products and steel wires.
  - Electrical steel.
- **Slabs:** There are three slabs of PLI incentives, the lowest being 4% and highest being 12%.
- **Beneficiaries:** 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.

- **Reason for choosing speciality Steel:**

- **To Increase Production:**

SS has been chosen as the target segment by the government because out of a production of 102 million tonnes of steel in 2020-21, only 18 million tonnes of value-added steel/speciality steel were produced in the country.
- **To Reduce Imports:**

Most of the imports into India are in the value-added and speciality segment. The PLI scheme will boost manufacturing capacities by Indian mills in this segment and MSMEs will be able to source from them directly.

Out of 6.7 million tonnes of imports of steel in 2020-21, approximately 4 million tonnes were of speciality steel, resulting in Foreign Exchange (Forex) outgo of approximately Rs 30,000 crore.
- **Sector in Uptrend:**

The steel sector is on an uptrend and major integrated producers have lined up major expansion plans.

- **Significance:**
  - **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 will generate employment for about **5 lakh people**, including direct employment for **68,000 people**.
- **Expected Outcome:**
  - It is expected to **bring investments worth about Rs 40,000 crore** and result in a **capacity addition of 25 million tonnes (MT) for speciality steel**.
  - The **export of SS would become about 5.5 MT** against the **current 1.7 MT** earning a Forex of Rs 33,000 crore.
- **Initiatives related to Steel:**
  - **Mission Purvodaya**: It was launched in 2020 for the accelerated development of eastern India through the establishment of an integrated steel hub in Kolkata, West Bengal.
  - **National Steel Policy 2017**: To attain Self-sufficiency in steel production by providing policy support & guidance to private manufacturers, MSME steel producers, it was launched in 2017.
  - **Adoption of the Fourth Industrial Revolution (Industry 4.0)**: It will improve manufacturing processes, material usage, energy efficiency, plant and worker productivity, supply chain and product life-cycle.
  - **Steel Research and Technology Mission of India**: It provides for the grant of financial assistance to various institutions including **Council of Scientific and Industrial Research (CSIR)** laboratories and academic institutions for carrying out research in the iron and steel sector including environmental issues like utilisation of wastes, improvement in energy efficiency and reduction in **greenhouse gases (GHG)** emission.

**Source: PIB**